

The European Business Review

March - April 2019

europeanbusinessreview.com

Four Pathways to 'Future Ready' that Pay Off

How to Design an Ambidextrous Organisation

Top Executive Education with the Best ROI: Featuring Columbia Business School

Merck AG - From a 350th Birthday to the Start of a Global Movement



TOUCHING THE LIVES OF MILLIONS
FOR HALF A CENTURY!

 **software** AG

Freedom as a Service



empowering communication globally

ISSN: 1754 5501



9 771754 550004
USA \$22 EU €17.5
CAN \$22 UK £15

03



THE MOST PROFITABLE BANK IN Central and Eastern Europe

SOVCOMBANK is one of the largest in terms of assets and most profitable banking groups in Russian Federation. Sovcombank identifies market niches with limited competition and focuses on achieving and maintaining strong competitive advantages in these niches. The bank management believes that a disciplined execution of this strategy enables it to maintain high profitability and excess capital through the economic cycles and to take advantage of market opportunities as they occur. Sovcombank achieved RUB 16bn of net profit for the nine months ended 30 September 2018. Return on equity (ROE) in annual terms was 20.5% (ROE of regular business was 18.7%).

The Sovcombank Group has two operating segments:

Retail: providing mass market financial services to low- and middle-income retail customers residing primarily in small towns. These services include issuance of mortgage, car and consumer loans, placement of term deposits and insurance products provided by third-party companies.

The basis of the Group's retail model is the "mini-office", which is a small office of up to 30 square meters staffed by one or two employees and supported by a centralized cutting edge technology platform supporting both customers and employees. Mini-offices represent 90% of the bank's retail network by number of branches as at 01 January 2019. Sovcombank has 15,681 employees and 2,666 offices located in 1,052 towns of the Russian Federation.

Corporate and investment business ("CIB"): extending loans (both in form of bonds and loans) and providing investment banking services to the major Russian corporations and Russian regional governments and municipalities.

CIB services also include enabling small and medium businesses, individual entrepreneurs access to public procurement through the Group's digital platform for electronic procurement auctions and online bank guarantees.

In 2018 Sovcombank was included in Cbonds Arranger League Table (all issues) as No.6, Arranger League Table (market issues) as No.5 and Arranger League Table for municipal bonds as No.1. Sovcombank was also awarded «Best Investment Bank - Arranger for Second and Third Tier Issuers», «Best Bond Market Sales» and «Best Investment Bank – Arranger for Subfederal/Municipal Bonds» in Cbonds rankings.



"We started as a retail bank focused on pensioners as the target audience but over the past three years the bank's portfolio has been diversified. As of the recent acquisition of Rosevrobank's corporate business, we became a full-scale universal bank, which provides a full range of services both to individual and corporate clients. And uniting the business of the banks allows us to implement even more ambitious and large-scale projects."

Dmitry Gusev, CEO and Chairman of Management Board of Sovcombank



"We are pleased to note a significant increase in profits from regular operations, including interest and commission income in the retail banking. In the secured retail lending market, the bank is among the top five largest auto loan banks and the top 20 mortgage banks, while improving the quality of its loan portfolio. This allowed us to maintain high growth rates of the bank's assets and capital."

Sergey Khotimskiy, First Deputy Chairman of Sovcombank.

Since 2014, Sovcombank acquired a number of Russian banks and subsidiaries of international banking groups in Russia. The most notable acquisitions are:

- GE Money Bank Russia, a Russian subsidiary of GE Capital in 2014;
- ICICI Bank Eurasia, a subsidiary of ICICI Bank Limited of India, in 2015;
- Metcombank, an auto loan specialist Russian bank;
- Garanti Bank Moscow, a subsidiary of Turkish Garanti Bankasi A.S. in 2016;
- Rosevrobank, Russian bank with expertise primarily in corporate segment, in 2018.

Sovcombank PJSC Head office:

46 Tekstilschikov Avenue
City of Kostroma Kostroma
Region 156000, Russia
www.sovcombank.ru

The European Business Review

empowering communication globally

MARCH – APRIL 2019



FUTURE SERIES

- 8 Future Insight - From a 350th Birthday to the Start of a Global Movement
Ulrich A.K. Betz

- 13 Four Pathways to 'Future Ready' that Pay Off
Peter Weill, Stephanie Woerner and Nick van der Meulen

COVER STORY

- 18 **Software AG: Touching the Lives of Millions for Half a Century**

TOP EXECUTIVE EDUCATION PROGRAMMES WITH THE BEST ROI

- 23 Columbia Business School Executive Education: Empowering Leadership at the Pulse of Business in New York City
Interview with Professor Paul Ingram, Faculty Director, Advanced Management Programme
- 30 EMLYON Business School, AIM Institute: Understanding the Potential of AI in a Technology Driven World.
Interview with Mr. Renaud Champion, Executive Director, AIM Institute

ORGANISATION

- 36 How to Design an Ambidextrous Organisation
Jonathan Trevor and Peter Williamson

- 47 How can Organisations Manage their Reputations in Response to Threats?
William S. Harvey, Jonathan V. Beaverstock and Hongqin Li

SUPPLY CHAIN

- 49 Buying Market Share with Supply Chain
Richard Markoff and Ralf W. Seifert

BRANDING

- 52 The Brand-Building Canvas: How to Build a Business and a Brand in One Go
Klaus Heine

DIGITAL STRATEGY

- 57 Digital Partnership Strategies Revealed
Stijn Viaene

CIRCULAR ECONOMY

- 61 Lessons from Ellen MacArthur and the Circular Economy on How Leaders can Build and Sustain Transformation?
Peter Hopkinson and William S. Harvey

LEADERSHIP

- 66 21 Success Principles to Unleash the Leader in You and Achieve Greatness in Your Life
M.S. Rao

WORK-LIFE BALANCE

- 72 Why Workstyle Reform Just Might Work in Japan
Ginka Toegel



——— **Portugieser Perpetual Calendar. Ref. 5033:** Virtually no other form of sport bonds us so closely with nature and technology as sailing. Gliding over the waves on a sailboat, you experience the elements full on. You need to read the wind correctly to make the right manoeuvres. For Portuguese seafarers like Ferdinand Magellan and Vasco da Gama, sailing ships were the key to the discovery of hitherto unknown sea routes and whole new worlds. For the explorers and discoverers of our era, sailing is simply the most stylish way to travel on

water. The fact that individualists like these are equally uncompromising when it comes to their choice of wristwatch goes without saying. The Portugieser Perpetual Calendar in 18-carat red gold has a stunning, iconic design that combines elegance with a high level of functionality. And because this watch captures the ethos of the Portuguese mariners of old, it succeeds in creating something extraordinary: namely, a connection between the explorers and discoverers of today with kindred spirits of a bygone age.

IWC. ENGINEERED FOR MEN.

IWC SCHAFFHAUSEN BOUTIQUES: PARIS · LONDON · ROME · MOSCOW · NEW YORK · BEIJING · DUBAI · HONG KONG · GENEVA · ZURICH
IWC.COM

For more information please call +44 845 337 1868 or email info-uk@iwc.com

FOLLOW US ON:     

**ENGINEERED FOR MEN
WHO CONQUER THE ELEMENTS.**



IWC
SCHAFFHAUSEN

CREATING AND LEADING A FUTURE READY ENTERPRISE

As we head deeper into the year ahead, we strive to highlight the essential strategies and latest research studies that will enlighten and equip companies and their leaders to keep abreast with the advancements and stay ahead of the curve amongst disruptions and uncertainties in the business world.

To open this issue we have the special feature entitled the Future Series, in which Peter Weill et al. shed light on the four different pathways companies take in their attempt to become “Future Ready” via digitally enabled business transformation. They found that companies who have advanced further in their digital transformation journey have significantly higher financial performance.


The company that plays a crucial role in enabling the digital transformation journey of countless companies and organisations around the world is Software AG. It has been quietly influencing and running the world with precision for 50 years and ongoing. Our cover story looks into its unique business history and how it will move forward with greater breakthrough innovations and commitment to promoting customer choice, which are the foundation of its present and future success.

Another prime example of a future ready organisation is Merck, which celebrated its 350th anniversary in 2018. Dr. Ulrich A.K. Betz, VP and Head of Innovation and Entrepreneurship Incubator, highlights the vision the company has for the future as well as the series of science & technology programmes that were set up in order to install a global movement, underlining the importance of science & technology to build a better world.

A future ready enterprise requires a leader with new skill sets and new ways of thinking. In our Top Executive Education with the Best ROI series, we had the pleasure of an exclusive interview with Professor Paul Ingram, Faculty Director of Columbia Business School Executive Education’s Advanced Management Programme, who sheds light on the programme’s immersive learning environment set in the New York City and how their proven learning methodology can help executives respond to evolving leadership challenges.

Moreover, we dig deeper into how leaders today can design and manage their organisation to make it deliver both efficiency and flexibility - a top quality for today’s high performing companies. Authors Jonathan Trevor and Peter Williamson explore the emergence of the ambidextrous organisational form, and propose a new concept called “the Enterprise Ecosystem” as a response to address this challenge.

Further in the issue, you will also read about the latest insights and studies on supply chain management, circular economy, branding and reputation management, as well as digital partnership strategies, work-life balance and leadership development.

We hope this issue brings you the ideas and insights you need in order to effectively navigate the digital transformation journey and lead your company to future success. 

96%

**of senior executives say the
concepts taught are relevant
to today's rapidly changing
business climate.**



Columbia Business School
AT THE VERY CENTER OF BUSINESS™

Executive Education

Are you equipped to lead your company to success?
Experience the immediate and lasting impact of Columbia Business School's
Advanced Management Program at the very center of business, New York City.

www.gsb.columbia.edu/AMP

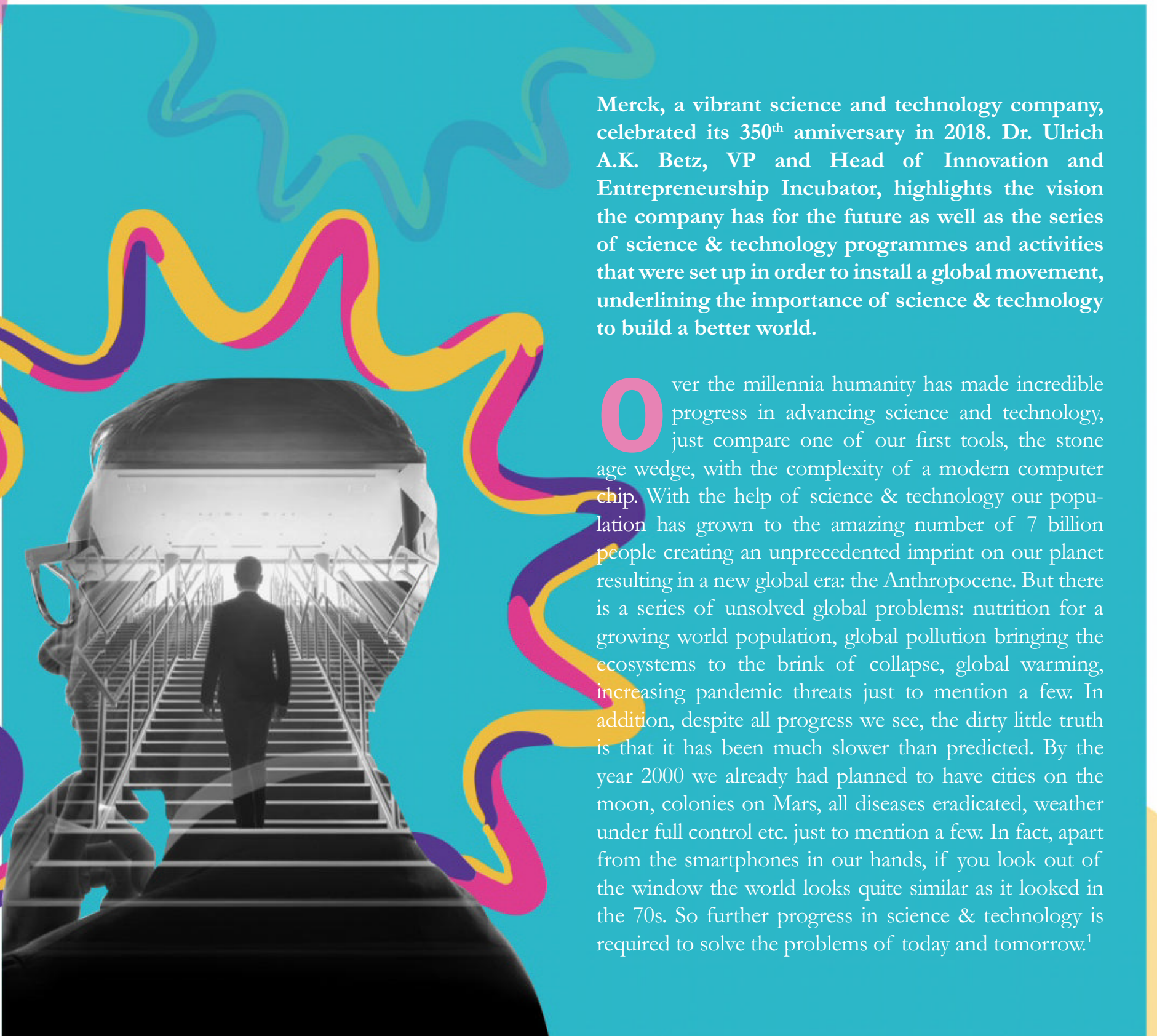
Future Insight –

FROM A 350TH BIRTHDAY TO THE START OF A GLOBAL MOVEMENT

BY ULRICH A.K. BETZ

Merck, a vibrant science and technology company, celebrated its 350th anniversary in 2018. Dr. Ulrich A.K. Betz, VP and Head of Innovation and Entrepreneurship Incubator, highlights the vision the company has for the future as well as the series of science & technology programmes and activities that were set up in order to install a global movement, underlining the importance of science & technology to build a better world.

Over the millennia humanity has made incredible progress in advancing science and technology, just compare one of our first tools, the stone age wedge, with the complexity of a modern computer chip. With the help of science & technology our population has grown to the amazing number of 7 billion people creating an unprecedented imprint on our planet resulting in a new global era: the Anthropocene. But there is a series of unsolved global problems: nutrition for a growing world population, global pollution bringing the ecosystems to the brink of collapse, global warming, increasing pandemic threats just to mention a few. In addition, despite all progress we see, the dirty little truth is that it has been much slower than predicted. By the year 2000 we already had planned to have cities on the moon, colonies on Mars, all diseases eradicated, weather under full control etc. just to mention a few. In fact, apart from the smartphones in our hands, if you look out of the window the world looks quite similar as it looked in the 70s. So further progress in science & technology is required to solve the problems of today and tomorrow.¹



Merck, a vibrant science and technology company, celebrated its 350th anniversary in 2018. At the occasion of this anniversary we wanted to look forward into the future, elucidating key technological trends, future game-changers and identify partners from all over the world to make great things happen and to jointly advance science & technology further, to work with the best minds in science and entrepreneurship to realise the dreams of a better tomorrow.^{2,3}

For that purpose, a comprehensive science & technology program was set-up consisting of three consecutive phases. Phase I, the “conceive” phase, defined the challenges and dreams of today and tomorrow and involved a series of surveys and forecasts as well as joint editions with top scientific journals. In phase II, the “convene” phase, a series of events was conducted bringing key players together to share their work and discuss new ideas. Finally, phase III, the “realise” phase made resources available to realise and advance joint projects.

A series of surveys and interviews on what the future of science & technology will hold were conducted with top experts and with readers from *Nature*, *Science* and *Harvard Business Review*. An analysis around “Breakthrough Innovation in the 21st Century” was published⁴ as well as a comprehensive Nature Outlook on “The Future of Medicine”⁵ and an anniversary edition of *Angewandte Chemie*.⁶

Some of the world’s best scientists and most accomplished entrepreneurs came together at the Curious2018 – Future Insight conference (<http://www.curious2018.com>), to present their work and to jointly explore the future of science and technology. The event featured more than 60 top speakers, including 6 Nobel laureates and was attended by more than 1,300 delegates from academic and corporate environments from all over the world. The event was a tremendous success and collected enthusiastic feedback from participants such as: “This was the best conference I have ever attended”, “I will never see such a line-up of speakers anymore in my entire life” or “This was the Woodstock of science and technology”. Curious – Future Insight has developed into one of the world’s most renowned gatherings on the future of science and technology covering a wide range of topics: healthcare, synthetic biology, life science, material science, digitalisation, bright future – new ways of working together, mobility, energy, human

mind and will be repeated again in 2020 (<http://www.curious2020.com>) and again bi-annually in the following years. A comprehensive summary of Curious2018 can be found in a special report⁷ and in a soon to be published book: *Curious2018 – Future Insights in Science and Technology* (Springer, ISBN 978-3-030-16060-9).

The conference also featured the announcement of the Future Insight Prize. With this award we aim to stimulate groundbreaking science and innovative development of key products or technologies to bring meaningful visions to life for the benefit of humanity.⁸ The Future Insight Prize will be awarded annually from 2019 onwards for the next 35 years to honor outstanding achievements in science & technology towards groundbreaking innovations in the areas of health, nutrition and energy with a targeted 1 million euros research grant per year. In its inaugural year we will focus on the area of pandemic preparedness and will allocate the Future Insight Prize for work laying the foundation for a later realisation of a visionary “Pandemic Protector”. Prizes stimulating work on the problem of multi-drug-resistant bacteria, global nutrition and sustainable energy will follow in the coming years. More than 70 top scientists have signed-up to join the Future Insight Prize jury and will collaborate to identify the prize winners.

Some of the brightest students from all over the world come together at the Innovation Cup. At a 1-week summer camp they get lectures and training from Merck managers and researchers on how R&D in the pharmaceutical and chemical industry works. The young talents are grouped in a cross-generational meeting with retirees in teams of high diversity and develop a groundbreaking idea and project plan that they present at the last day to an international jury composed of Merck internal and external experts. The team with the most convincing project plan wins the Merck Innovation Cup along with €20,000.



The Future Insight Prize will be awarded annually from 2019 onwards for the next 35 years to honor outstanding achievements in science & technology towards groundbreaking innovations in the areas of health, nutrition and energy with a targeted 1 million euros research grant per year.

At the occasion of this anniversary, we wanted to look forward into the future, elucidating key technological trends, future game-changers and identify partners from all over the world to make great things happen and to jointly advance science & technology further.

The best ideas are implemented. In 2018 a special anniversary edition of this innovation cup has taken place featuring around 80 top students brainstorming in 15 teams on the topics of healthy lives – new breakthrough therapies and diagnostics, life reimagined – synthetic biology and beyond, materials & solutions – chemistry and more, vibrant digital – the power of in-silico and bright future – new ways of working and collaborating. The innovation cup takes place annually.⁹ The program has been described in detail in the July/August 2018 edition of *The European Business Review*.¹⁰ The innovation cup concept has been further modified and resulted in the development of a new open innovation concept, called “outcubation” that has been published in *Nature Biotechnology*.¹¹ The Innovation Cup has already won several innovation awards, such as the German Industry Innovation Award, the Edison Award and three Stevie Gold Awards.

In 2018 Merck has also announced a series of 350th anniversary research grants to stimulate innovative research in challenging areas of future importance providing ten research grants of up to €350,000 per year for 3 years in various research areas with the option of extension or expansion. After a tremendously strong echo from the scientific community the grant recipients have been identified in deep dive workshops at the end of 2018. Announced challenges covered the following areas: The next game-changing molecule or technology to help cure cancer or autoimmune disease or to improve drug discovery in general, the next generation production technology for biologics, new tools

About the Author



Ulrich A.K. Betz, Vice President of Innovation Merck, is responsible for innovation management and strategic academic collaborations at Merck. He is an accomplished R&D manager with >20 years of experience in the pharmaceutical and chemical industry, including positions in the President's Office Merck Biopharma and positions reporting directly to the Heads of Research and Development at Bayer and Merck.

In his current role for example he designed and implemented the Merck Innovation Cup, the Curious2018-Future Insight Conference, the Merck Future Insight Prize, the Darmstadt Science Declaration, the idea competition innospire and the BioMed X Outcubator.

Prior to joining Merck in 2005, he worked 7 years for Bayer AG in various scientific and managerial positions in Pharma Research. Ulrich received his PhD in functional genomics and immunology from the University of Cologne and his diploma in biochemistry and physiological chemistry from the University of Tübingen.

He is a co-inventor of the marketed anti-viral drug Letemovir (Prevymis) and Pritelivir (Phase II) and the innovation incubator innospire he designed led to the development of bintrafusp alfa (Phase II).

Ulrich has won several innovation awards such as the German Industry Innovation Award (the world's oldest innovation award), two International Business Awards (Stevie Gold Awards Executive of the Year – Pharmaceuticals and Innovator of the Year), Stevie Gold Germany Award (R&D manager of the year Germany), Edison Award, the Bio IT world best practice award, and the German Idea Award.

Ulrich is author and co-author of ~90 publications and patents (e.g. Cell, Nature Medicine, Nature Biotechnology).

to revolutionise microbiome research, the next generation of intelligent materials, advances in surface chemistry, new atomic layer processes, as well as new approaches how in-silico research can benefit from deep learning and quantum computing. Further grant offers will be communicated in the coming years.¹²

Likewise, a series of calls for new innovative technologies in the following areas was launched: Innovative Analytics Technologies, technologies for prevention of diabetes and new game-changers for the pharmaceutical and chemical industry in general. We also teamed up with the MIT on their global initiative on the digital economy inclusive innovation challenge as the exclusive European partner. In addition, two competitions were organised inviting corporate and

academic participants to compete on a given challenge. The first competition revolved around the in-silico prediction of a suitable synthetic pathway for a given small molecule. The second competition involved the optimisation of antibody production in a CHO cell line. Further competitions will be rolled-out in the coming years.¹²

At the Curious2018 – Future Insight Conference the Darmstadt Science Declaration was rolled-out.¹³ The Darmstadt Science Declaration is a global call to action to devote more resources to the advancement of science & technology to enable humanity to solve the challenges of today and to realise the dreams of a better tomorrow. Everybody is cordially invited to sign this declaration now.

In 2018 Merck has also announced a series of **350th anniversary research grants to stimulate innovative research in challenging areas of future importance** providing ten research grants of up to €350,000 per year for 3 years in various research areas with the option of extension or expansion.

Four essential
eternal principles
that should guide
our actions



1. TRUTH –
to discover and
communicate the truth



2. LOVE –
to hold the well-being
of others as important
as the well-being
of myself



3. COURAGE –
to have the strength
to take action



4. LIBERTY –
to let others do
as they wish

The declaration reads: “We, the signatories, are people of different national origins, creeds and convictions. We all firmly believe that human progress is deeply linked to further advances in science and technology. We are truly convinced that science is a force for good which enables us to solve many of mankind's most pressing challenges. We believe that huge opportunities will arise from future science and technology efforts. Yet we are also very well aware of the responsibility and accountability we bear for the new technologies that are realised. We call on all nations, societies and organisations to devote more resources to the advancement of science and technology. We encourage the international community to join forces in battling debilitating diseases, ensuring sufficient food for a growing world population, stopping the destruction of our environment, and engaging in joint endeavors to elucidate the secrets this fascinating universe holds. Nothing shall be impossible.”

Many of the described activities will go on beyond the anniversary year and are open for partners from all over the world to join. It is our intention to create a global movement, underlining the importance of science & technology to build a better world.

Advancements in science and technology, however, go hand in hand with ethical questions. We have seen from human history that new technologies often not only come with inherent risks and undesirable side effects but in general can be used for good and evil alike. Science and technology are ethically neutral and we need to ensure that they are applied

We are truly convinced that science is a force for good which enables us to solve many of mankind's most pressing challenges.

for the greater good. Most important of all, science and technology remain silent on the essential question of life: For what purpose do we live and what should we do? While working on the science & technology workstream of the 350th anniversary of Merck, I spent some time thoroughly thinking about these important questions and I have laid down these personal thoughts in the chapter “The way forward” in the book *Curious2018 – Future Insights in Science and Technology* (Springer, ISBN 978-3-030-16060-9). In a nutshell, combining areas of overlap in various strong cultural traditions I delineate four essential eternal principles that should guide our actions: 1) **truth** – to discover and communicate the truth, 2) **love** – to hold the well-being of others as important as the well-being of myself, 3) **courage** – to have the strength to take action and 4) **liberty** – to let others do as they wish. Applying these fundamental principles can lead to a new way of working together, a new type of organisation, that combines the strong cultural traditions of Science (truth), Religion (love) and Entrepreneurship (courage) while at the same time being based on Individual Freedom (liberty). The four general principles of Truth, Love, Courage and Liberty can help us to find the right way forward and to apply further progress in science and technology for the benefit of all humanity. **EB**



Credit: Merck KGaA, Darmstadt, Germany/Eva Speith

References

1. Betz (2018) Is the force awakening? Technological Forecasting and Social Change 128, 296-303
2. <https://www.merckgroup.com/en/company/350anniversary.html>
3. <http://www.sciencemag.org/advertorials/boldly-imagining-next-350-years>
4. <https://hbr.org/sponsored/2018/03/breakthrough-innovation-in-the-21st-century>
5. <https://www.nature.com/articles/d41586-018-02472-6>
6. <https://onlinelibrary.wiley.com/toc/15213773/2018/57/16>
7. <https://www.nature.com/articles/d42473-018-00168-z>
8. <http://futureinsightprize.merckgroup.com>, <http://futureinsightprize.emdgroup.com>
9. <http://innovationcup.merckgroup.com>, <http://innovationcup.emdgroup.com>
10. <http://www.europeanbusinessreview.com/an-innovators-midsummer-dream-come-true/>
11. Betz, Tidona (2015) Outcubation – where incubation meets outsourcing, Nature Biotechnology 33, 20
12. <http://350researchgrants.merckgroup.com>, <http://350researchgrants.emdgroup.com>
13. <http://darmstadt-science-declaration.org> and <http://make-science-not-war.org>

DEVELOPING LEADERS WHO MAKE AN IMPACT

Berkeley Executive Education delivers a truly unique learning experience. Led by renowned UC Berkeley faculty, it equips global executives and their organizations with the vision, culture, and capabilities to thrive in an ever-changing environment and to make a positive impact in their industry and on the world.

Custom programs are tailored to each organization's unique challenges. Cutting-edge, open enrollment programs for individuals are offered along four core academic pillars.



Leadership &
Communication



Strategy &
Management



Entrepreneurship
& Innovation



Finance &
Business Acumen

Learn how Berkeley Executive Education is shaping how leaders learn and business is done. Catch the interview with Dean of the Haas School of Business, Laura Tyson in this month's issue.





Four pathways to 'Future Ready' that pay off

BY PETER WEILL, STEPHANIE WOERNER AND NICK VAN DER MEULEN

Transformation is not easy but the companies who have reached “Future Ready” have significantly higher financial performance. Know about the different pathways companies take in their attempt to achieve breakthrough performance via digitally enabled business transformation.

Digital changes everything – even in the cement business. In an effort to help their customers succeed in a complex and uncertain environment, the global cement company CEMEX became the first in the building materials industry to develop a multi-device customer integration platform. CEMEX Go provides services to streamline customer interactions including ordering, tracking shipments, and payment providing information and transparency to improve operational control, decision making, and productivity. Launched just over a year ago, CEMEX Go adoption raced to 20,000 active customers across 18 countries – a testimony to CEMEX’s ability to innovate and the need for change on building sites.

Like CEMEX, many companies plan to achieve breakthrough performance via digitally enabled business transformation. We call this journey becoming “Future Ready”. Future Ready companies are ambidextrous: on the one hand, they significantly improve their customers’ experience relative to competitors and on the other hand relentlessly reduce cost and simplify their operations. These Future Ready companies are much more agile reusing modular capabilities, make *their* data a strategic asset, and more easily partner to participate in digital ecosystems.

In this paper, we share insights from the journeys of 216 companies.¹ We grouped these companies by whether they had completed more or less than 50% of their proposed digital business transformation journey finding large differences in performance. Companies whose transformation was at least 50% complete against target had 32% higher net margins and 67% higher revenue growth than competitor companies whose transformations were less than 50% complete.



Becoming Future Ready

Becoming Future Ready requires a company to transform on two dimensions: customer experience and operational efficiency. Most companies we studied began their journey in the “Silos and Spaghetti” quadrant of Figure 1.² They had typically prospered over many years by adding new products, adding new geographies, creating new partnerships and adding more complexity to their operations. A complex landscape of business processes, fragmented data and systems spaghetti resulted. These Silo and Spaghetti companies achieved good performance mainly through the heroics of their people who –despite overwhelming complexity – worked hard to deliver a good customer experience.

To become Future Ready we found companies adopt one of four pathways – see Figure 2.³ CEMEX followed Pathway 2 with the goal of radically improving the customer experience in the construction industry. In contrast, Tetra Pak is on a Pathway 1 journey. Comprising three businesses: food packaging, processing, and services, Tetra Pak spent over a decade developing global operational standards, data and solutions. Tetra Pak is now working on a connected customer equipment platform that leverages advanced analytics and IoT technologies for a combined packaging, processing, and services solution to its customers. To focus on delighting customers the company radically changed its performance metrics and incentives away from operational efficiency to focus on customer journeys.

Other firms take an iterative approach along Pathway 3. KPN is the leading provider of telecom services in The Netherlands. KPN began its transformation to Future Ready in 2013 while under significant financial strain. Strong competition had reduced prices in saturated markets, regulations capped termination and roaming fees, and over the top (OTT) companies such as Skype, WhatsApp, and Netflix had eroded legacy revenue streams while heavily burdening network capacity. To remain competitive, KPN needed to radically improve its operational efficiency and customer experience nearly simultaneously, making Pathway 3 an attractive option.



Becoming Future Ready requires a company to transform on two dimensions: **customer experience** and **operational efficiency**.

At the start of the transformation, KPN identified key customer experience initiatives—such as creating a single customer identity for digital services, and improving the multi-product order capture process in their stores (which was taking about 30 minutes). Before they could pursue these initiatives, the company had to make several improvements to its operational foundation: it had to first move right on Pathway 3 before moving up. For example, KPN re-insourced development and design capabilities. In addition, KPN created a “Simplification and Innovation” unit centralising all business process redesign, IT architecture and development capabilities. Agile teams developed a “digital engine” enabling API access to over 300 legacy services from their back-end systems, allowing developers to quickly execute on customer-facing initiatives. This stair step pattern continued – iteratively improving the

Figure 1: Digital Business Transformation: Becoming Future Ready

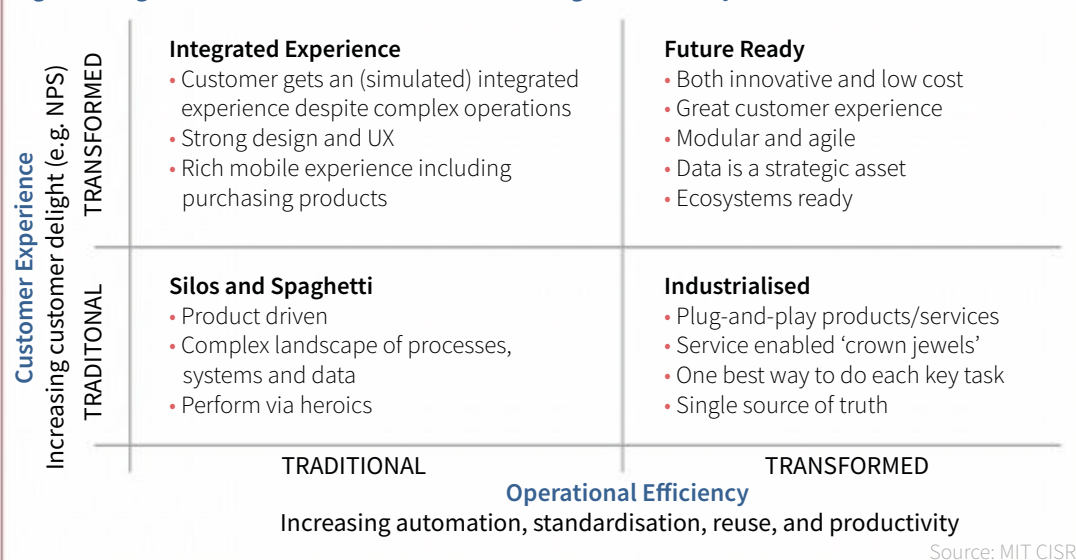
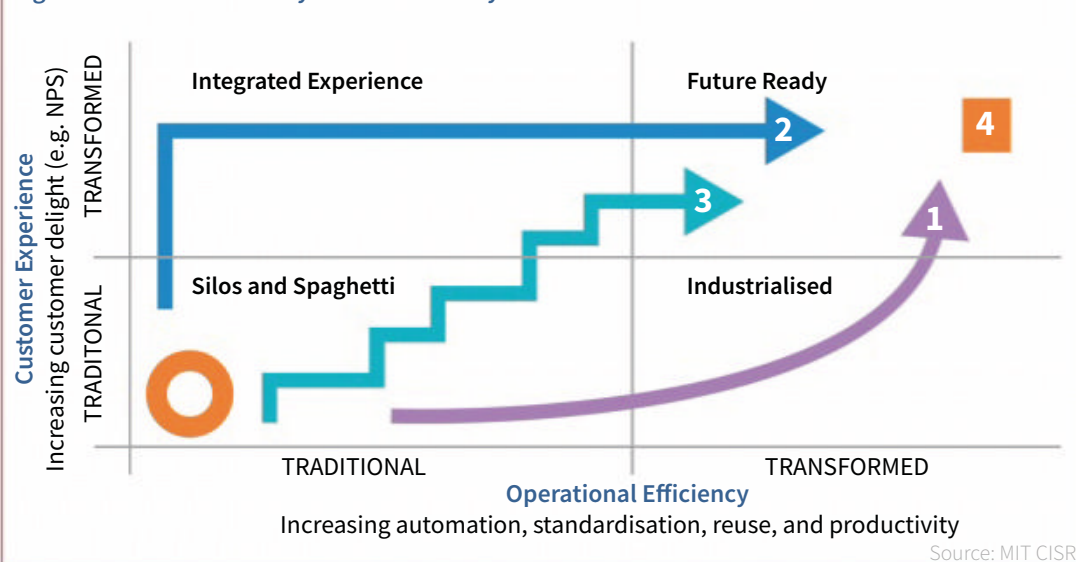


Figure 2: The Four Pathways to Future Ready



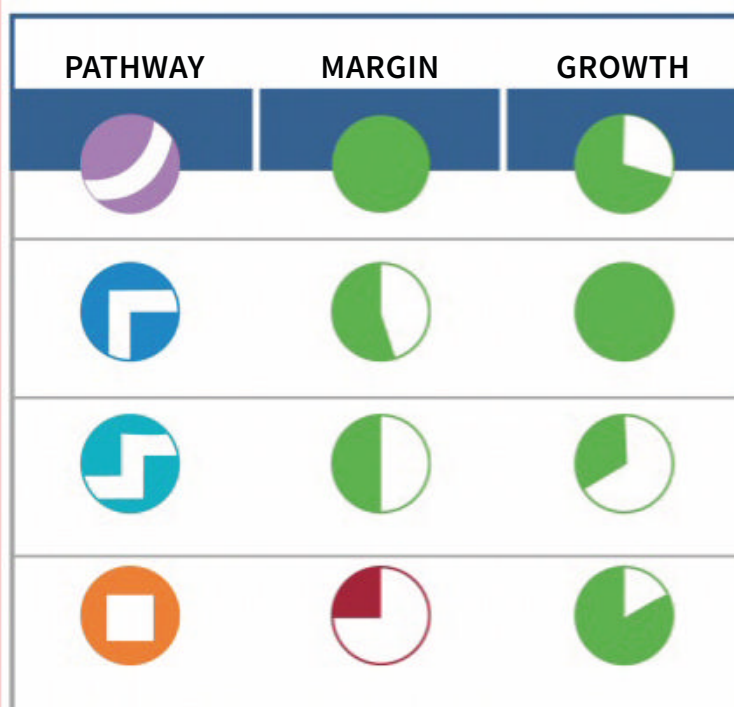
customer experience and efficiency, resulting in a 20-point increase in net promoter score (NPS) and cost savings of more than €500 million.

Other companies decide that it will take too long to transform to Future Ready. Instead, they create a new Future Ready enterprise – via Pathway 4 – either as a standalone company or as a separate business unit. Pathway 4 is, on average, the fastest way to get to 50% complete or more but takes longest to achieve profitability. Domain is an Australian company that followed a Pathway 4 journey developing a “dreaming to owning” app-based service for finding and buying a home. As one of Fairfax Media’s fastest growing assets, it had autonomous decision rights to develop its own leadership, technology stack, and culture. Domain adopted a sales-first (rather than Fairfax’s editorial-first) way of working, developing an innovative, mobile-centric platform that acts as the go-to destination for both prospective home buyers and real-estate agents.

Lighter (purpose-built) plug-and-play technologies offered agility as well as a lower cost base, and data on how users interact with the platform became a strategic asset and was used every day to implement the company’s value proposition. Using its digital ecosystem of partners, Domain has achieved 500% year-over-year revenue growth in new transactional revenues, such as facilitating home loans and insurance, utilities connections, and home maintenance. Domain’s rapid growth and market success led to a successful IPO in December 2017 generating a \$0.75 billion of new value.

Some companies with multiple business units pursued different digital transformation pathways in different business units. For example, one bank followed Pathway 2 for their B2B institutional business and Pathway 1 for their B2C retail business. Another common approach was coordinating multiple paths in a single business. For example, another large bank is adopting Pathway 1 for 80% of its investment and Pathway 2 for the remaining 20% making “spot bets” to improve the customer experience (like a new mobile app) to keep competitive on customer

Figure 3: All Pathways Pay Off – but differently



Average net margin 32% higher and revenue growth 67% higher when comparing firms above and below 50% complete on transformation

Source: MIT CISR 2017 Pathways to Digital Business Transformation Survey (N=216). Circles represent average performance differences (industry-adjusted) when comparing companies where the digital transformation was ≥50% complete with those where it was <50% complete. Full circle = net margin (revenue growth) of +12.7 (+15.9) percentage points above average.

experience while focusing on improving operational efficiency. The bank’s executive committee decided that spot bets would not exceed 20% of investment and they had to be designed to plug-and-play into the platforms created on Pathway 1.

All pathways payoff – but differently

The good news is that all four pathways lead to success; the more of the journey a company reports it has completed, the better the benefits. But each pathway yields different results on net margin and revenue growth relative to competitors (see Figure 3). For example, Pathway 1 on average yields the best performance on net margin relative to competitors – as illustrated by the full circle – and second best (after Pathway 2) on growth. Partial circles show the relative results of the other three pathways. Similarly, Pathway 2 yields the best relative performance on revenue growth and second best



All four pathways lead to success; the more of the journey a company reports it has completed, the better the benefits. But each pathway yields different results on net margin and revenue growth relative to competitors.

We often hear from senior executives and consultants that Pathway 3 seems like the best option as it gives the company flexibility to move in small steps in each direction. That's not what we found, as Pathway 3 has some of the worst performance characteristics.

on margin. Pathway 3, despite high expectations, has the worst relative performance on growth and second worst on margin. Pathway 4 company transformations have a very interesting combination of benefits – with the second-highest growth after Pathway 2 – but are not profitable (on average) as yet. And the benefits are large for those more than 50% complete on their journey. For margin, the full circle represents 12.7 percentage points above average while for growth the full circle represents 15.9 percentage points above average.

Pros and cons of the four pathways

All the pathways have pros and cons. For example, as you get past about halfway on Pathway 1, customer experience increases at the same time as you improve operational efficiency – often with a great sense of progress and agility. That's because you create reusable digitised components that can plug-and-play to quickly create new customer experiences. But that long flat section at the beginning of Pathway 1 we call the “digitisation desert”: that's when a lot of effort occurs by the operations and IT people with little improvement in customer experience, often frustrating the executives responsible for engaging customers. Fortunately, companies are now shortening the time in the digitisation desert by using recent developments in technology and through practices including cloud computing, APIs, agile teams, DevOps and others.

Pathway 2 is very addictive. Customer experience investments typically show quick results, resulting in strong momentum to spend more. However, in many companies the improvement in the customer experience doesn't address the underlying operational complexity and typically makes it worse. When following Pathway 2, it's very important to turn right as soon as possible and focus on improving operational performance because for most companies as you increase the customer experience you also increase the cost to serve, thereby reducing margins.

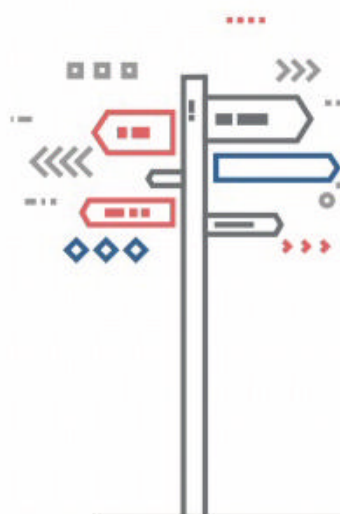
We often hear from senior executives and consultants that Pathway 3 seems like the best option as it gives the company flexibility to move in small steps in each direction. That's not what we found, as Pathway 3 has some of the worst performance characteristics. The words “organisational whiplash” summarise why. It's very difficult to set direction, empower your people, govern the investment and performance and connect the steps often changing direction every 6 to 12 months. We see significant organisational fatigue and confusion about which step to focus on at which time. It's not to say the Pathway 3 doesn't work and we have seen many companies like KPN successfully transform that way. But on average it's harder and takes strong leadership, governance, and a clear road map.

Pathway 4 allows you to create a born Future Ready company, which grows fast, and adds new capability every month. But companies that have successfully followed Pathway 4 then face a dilemma. What do you do with the two separate businesses – one mired in Silos and Spaghetti and the other Future Ready? It's very hard to merge them as they have different operating models and cultures, so do you run two separate companies or slowly wind down the original company and transfer customers to the new company? This is a dilemma facing ING and their very successful Pathway 4 company ING Direct as they ponder bringing those two together.⁴

Leadership

Only 30% of the companies in our analysis have so far stayed on course to reach at least 50% transformed – which is when the benefits really start to hit the bottom line. To successfully transform, senior management must choose pathways based on the company's competitive positioning – in particular, the quality of the company's current customer experience, and its efficiency relative to competitors. Companies trailing on customer experience need first to move up on the 2x2, while those operating less efficiently need first to move right.


As you ponder your company's transformation, we suggest two lessons. First, it's critical to agree on which pathway(s) the company will follow and create a common language around how you will transform. Without agreement there will be many loosely coordinated attempts at transform that will likely fizzle out or clash. In a recent workshop with a CEO and





senior executive team of a financial services company, we asked the participants independently to draw their journey over the last three years on the framework. To their surprise and then horror, none of the 8 executives drew the same pathway and a big “aha!” moment occurred as to why they hadn’t made much progress.

Second, significant culture change is needed to transform – both in ways of working and taking responsibility for leadership. For example, the development of the CEMEX Go platform and the needed “digital mindset” involved educating all employees and focusing on continuous innovation to improve the customer experience. Along the journey CEMEX became less hierarchical, operating in a more agile, collaborative and iterative way, and focused on continuous testing and learning. When CEMEX began its journey, three executives heading up three different digital areas led the transformation. About six months into the transformation, the CEO raised the stakes asking the Executive Committee to take ownership of leading the company’s digital future.

Transformation is not easy but the companies who have reached Future Ready have significantly higher financial performance. How will you lead your company to be Future Ready? 

It’s critical to agree on which pathway(s) the company will follow and create a common language around how you will transform. Without agreement there will be many loosely coordinated attempts at transform that will likely fizzle out or clash.



About the Authors



Peter Weill, PhD, is an MIT senior research scientist and chair of the Center for Information Systems Research (CISR) at the MIT Sloan School of Management, which studies and works with companies on how to transform for success in the digital era. MIT CISR has approximately 100 company members globally who use, debate, support and participate in the research. Peter’s work centers on the role, value, and governance of digitiation in enterprises and their ecosystems. Ziff Davis recognised Peter as #24 of “The Top 100 Most Influential People in IT” and the highest ranked academic.



Stephanie L. Woerner, PhD, is a research scientist at MIT CISR. Stephanie is an expert on how companies use technology and data to create more effective business models and manage the associated organisational change. She has a passion for measuring hard-to-assess digital factors such as connectivity and customer experience, and linking them to firm performance. Stephanie is the coauthor, with Peter, of *What’s Your Digital Business Model? Six questions to help you build the next generation enterprise* (Harvard Business Review Press, 2018).



Nick van der Meulen, PhD, is a research scientist at MIT CISR. He investigates digital business transformations, particularly concerning how leading organisations change decision rights and manage technology to enable new ways of working that drive performance.

References

1. MIT CISR 2017 Pathways to Digital Business Transformation Survey.
2. For more information on the development of this framework see Weill, Peter and Stephanie L. Woerner. “Is Your Company Ready for a Digital Future?” *MIT Sloan Management Review*, Winter 2018, 59(2): 20-25
3. The framework and pathway lines are based on series of informal interviews in 2015-7 on digital transformation with senior executives globally and financial performance identified via the MIT CISR 2017 Pathways to Digital Business Transformation survey (N=216).
4. “ING to spend EUR800 million on digital integration; shed 7000 jobs,” Finextra, October 3, 2016, <https://www.finextra.com/newsarticle/29533/ing-to-spend-eur800-million-on-digital-integration-shed-7000-jobs>.

Software AG:

Touching the Lives of Millions for Half a Century!

There is a software company that does things differently; not clamouring to be the latest headline, but quietly running the world with precision for 50 years. That is in itself unusual, how many software companies turn 50, and in robust health? And how many do it on their own terms, actively promoting independence and interoperability with software from any vendor, anywhere and deliberately promoting customer choice?

Why the name Software AG?

In the sixties you bought the hardware, operating system and software applications from one company: IBM, ICL, Honeywell, Burroughs, Olivetti or Bull.

Software AG was one of the first software only vendors hence the name and the spirit of independence.

The idea caught on of course – there are uncountable software vendors today – and as for that list of sixties hardware enterprises!

That is the Software AG way (Software Ltd. or Software Inc. in other words) and has been since the company was founded in Darmstadt, Germany (hence the precision software engineering) in 1969 – a garage start-up like, well, you know who.

You possibly have never heard of Software AG and its trademark never appears on your PC or laptop but you probably use their software today. For example, eight of the top 10 U.S. banks use Software AG – a significant slice of daily global financial transactions are supported by applications developed with the company's software. And not just bank transactions but online payments, credit card transactions, private investments or if you have traded in pork bellies, then you have used Software AG.

Outside of finance, if you have ever flown in into the U.S., driven a car, taken a train, or a bus, gone to outer space or if that's too ambitious,

just used an escalator or driven to work in a tractor, Software AG eased your ride.

Actually if you've ever watched a movie while drinking a Cola, downloaded music or had a coffee on the way to work then you probably used Software AG. In the UK, your driving license (and probably your speeding fine too) is processed by Software AG, so is your UK visa request.

Or if you've used the global post or logistics network, berthed your ship in Rotterdam (well maybe), had a package delivered overnight for a birthday, sent freight through Hong Kong or Singapore without a problem then it was precise software engineering supporting precise global services, no matter how small or large the delivery.





Six men in a garage?

Six young employees at the consulting firm AIV (Institut für Angewandte Informationsverarbeitung) established Software AG in Darmstadt in 1969. One of the founders is Dr. Peter Schnell, who goes on to become long-serving CEO of the company and today leads the Software AG Foundation.

Software AG's first office outside of Germany was in the U.S. followed by Japan – the world's two biggest IT markets. A lesson for a European startup today – follow the market!

requirements for the company's software (see ADABAS panel next page) and independence from vendor lock-in preserving customer choice.

Nearly all major enterprises use software from many vendors in different departments, running their operations, billing or sales. Enterprises must also interact with partners, suppliers and clients. They must reflect the latest regulations governing industry and finance and, if they have the capacity after all that, take into account outside events such as market trends and more immediately weather conditions, strikes or natural disasters.

All of these are built on what is called integration software. Just look at the dictionary definition of integration: "Noun: an act or instance of combining into an integral whole". Integration software combines all enterprise IT, no matter which vendor produced it, into an integral whole. No more information or process or application silos or islands, no more fractures within the enterprise or

We could go on and on. But basically, **if you are alive**, you use Software AG on a daily basis.

Every one of the companies, not quite, mentioned above have one thing in common. They have all built individual systems and applications that are at the core of their businesses. These are not off-the-shelf software solutions – these are unique applications that give each

and every enterprise a unique competitive edge. If these applications do not run the business stops! As according to the Flight Operations Manager of ANA, the Japanese airline: "ANA cannot fly without (Software AG's) webMethods."

There is a second feature in common too – Independence. Software AG was founded on adaptability and independence – adaptability to customer

Today, Software AG is the world's largest independent integration software provider and has been giving enterprises the agility and flexibility to react quickly and economically to changing markets for nearly 30 years.

government departments. Integration software is what makes a fractured enterprise whole.

Total software integration (applications, data & the cloud) is what gives full visibility of a business – not just historical, not just in real time but also predictive analysis capabilities to identify potential, unexpected machine or engine maintenance issues, or a full view of business operations that allow real-time estimates (based on facts not thumbs) of when a customer order can be processed while still talking to the customer.

Furthermore, integration must be neutral integration. Integration must connect applications from any vendor hosted anywhere, sensors from any manufacturer on any shop floor, up any mountain, down any valley. Integration must guarantee maximum customer choice and completely avoid customer lock-in to a single vendor. Without that the customer is dependent on the innovation cycles of their software suppliers and not their own.

Today, Software AG is the world's largest independent integration software provider and has



The Software AG Foundation

The Software AG Foundation was founded in 1992 by the company co-founder Dr. h. c. Peter Schnell as an independent non-profit charitable organisation under civil law in Darmstadt, Germany. The foundation is not to be considered a corporate foundation, but rather a major shareholder of Software AG. It manages its own assets, totaling some one billion euros, and uses its earnings for the sole purpose of supporting charitable, independent sponsors in Europe and Brazil.

Owning over a third of Software AG shares, the Software AG Foundation is also a key anchor investor, ensuring long-term independence and job security for Software AG.

For the business of tomorrow, independence to invest when and where and with whom they want is possibly the most important IT asset an enterprise can have in fast changing markets.

been giving enterprises the agility and flexibility to react quickly and economically to changing markets for nearly 30 years.

And tomorrow? Independence to invest when and where and with whom they want is possibly the most important IT asset an enterprise can have in fast changing markets.

Integration software is fundamental to success in the Internet of Things world we now live in. The enterprise boundaries have moved from being solely on premise, to the cloud and from there to the (mobile) edge – wherever a company has an asset or digital sensor is now the boundary of that company.

Extend that to include partners, clients and clients' customers. Extend that further to include data from any third party source: weather, natural events or public opinion and the number of data sources that need to be integrated to provide a full business and operational picture of what is happening inside and outside the enterprise becomes clear.

Then think how this could be accomplished in a fractured enterprise?

This is where Software AG kicks-off its next 50 years – building on the collective experiences and knowledge of a half century of adaptable and independent software – to be the backbone for IoT platforms such as Bosch, Siemens, Deutsch Telekom, Vodafone, NTT in Japan (not quite the A-Z of countries worldwide but the A-U, Austria to UK, USA, UAE and Uruguay). And ADAMOS – an IoT platform from the manufacturing industry for the manufacturing industry, an industry mastering its own way into the digital world with a unique, collaborative digital business model.

A significant and increasing proportion of today's new digital services are supported by Software AG. You won't see the logo on your smartphone screen but...still touching your life and the lives of, well perhaps, billions. **BR**

The first product ADABAS

ADABAS – (adaptable database system) – is still probably the fastest, lowest TCO database on the market today. Starting as they continued, the database structure adapts to the customers data – no SQL tables here.

Adabas has attained transaction speeds of over 1,183,000 commands per second. To put one million commands in perspective, if every spectator at all sixteen NFL games on a particular weekend were to simultaneously ask one bank, running one database, to send their account status to their cell phones, they would all receive simultaneous sub-second replies.

“ Fifty years since the birth of Software AG and the birth of an entire industry. There is a tremendous heritage of commitment to customer success in this company – great strengths that we can build on as we move forward. Our fiftieth year has given us the opportunity to reflect on those strengths and harness them for the next half century. ”

Sanjay Brahmawar
CEO OF SOFTWARE AG

Touching people's lives

Medellin – The City of Eternal Spring creates economic growth supported by a modern, effective and flexible IT infrastructure!

The Urban Land Institute has recognised Medellin as the world's most innovative urban centre implementing innovative solutions to problems such as mobility and environmental sustainability.

Medellin has also been recognised by the United Nations for the multiple transport options now offered to its citizens. Its new urban transport infrastructure has opened jobs and schools to the previously isolated communities living in outlying mountainside areas with travel times for the majority of its citizens being cut from more than two hours to just a few minutes.

Gabriel Werner Brandt, Director of Planning for Information Technology at the Municipality of Medellin: “In the government sector the transition to a digital enterprise must be staged and gradually introduced, maintaining focus on not just the needs of the citizen but also on state employees and acknowledging the political dimension.” “For this we needed a flexible IT infrastructure that can leverage the many investments we have made over the years. We needed an infrastructure that is easy and quick to implement and adapt, with a clear return on investment. Software AG provided that.”



Touching people's lives – In Real Time

The Internet of Things (IoT) opens a multitude of new business opportunities that are only limited by your imagination.

It opens countless opportunities for streamlining and cost reduction but it is the game-changing new business opportunities that are the enormous pots of gold at the end of the rainbow and these need totally new digital business models.

This is not the easiest thing to do unless some ingenious company comes along and takes care of all that for you with a plug-and-play solution that allows you to build a portfolio of new and better services for your clients. Simply plug in to an already analysed, real-time data stream and play with the results.

One such company is Octo. In their words, “it all starts with a very powerful sensor – a bit bigger than a mobile phone chip in your car.” This sensor takes information from the accelerator, the GPS, measures the car speed, where and when you drive, the movement and rolling of the car and context information such as the weather from Google maps.

Analysed in real-time in the cloud, break-downs, accidents and fraud can be identified and emergency services can be immediately notified, so can fleet management and insurance companies.

Over time, the behaviour of drivers or the time of the day the car is driven – in the rush hour or not – or the performance of the car itself, all result in an accurate driver risk profile. Vehicle telematics are sent to the insurance companies who can then accurately identify the individual driver risk and charge the appropriate premium.

This is a real (time) win-win situation that also saves lives.



**Stimulating scientific
and technological progress** in the areas of
health, nutrition, and energy.

**FUTURE
INSIGHT
PRIZE**

**9th July, 2019
Darmstadt, Germany**

**For more
information, visit**

futureinsightprize.merckgroup.com



MERCK

TOP Executive Education PROGRAMMES with the BEST ROI



featuring
 **Columbia Business School**
AT THE VERY CENTER OF BUSINESS™

| EXECUTIVE EDUCATION

Advanced Management Programme

In the business world, especially now with the countless innovations of technology and continuous shifting of goalposts, the only constant is change – which poses a greater challenge for the executives and businesses to keep abreast with the advancements. To be a more effective leader in this new reality, top executives need to further their range of skills and adapt to new ways of thinking, and one of the most powerful ways to stay ahead of the curve is through executive education.

Whilst the time commitment can be a major concern for busy executives, it is important to choose the programme that offers the highest value in terms of growth opportunities and one that provides the most

stimulating learning environment throughout the course of the programme.

In our TOP EXECUTIVE EDUCATION PROGRAMMES WITH THE BEST RETURN ON INVESTMENT series, we continue our search for the best and high-calibre business schools and universities around the globe that provide top-quality executive education which maximises the impact and return on investment (ROI) for the seasoned executives.

In the March/April 2019 issue, we are honoured to feature Columbia Business School Executive Education, and we had the pleasure of an exclusive interview with Professor Paul Ingram, Faculty Director of Columbia Business School Executive Education's Advanced Management Programme.



TOP *Executive Education*
PROGRAMMES with the BEST ROI

Featuring Columbia Business School Executive Education's
ADVANCED MANAGEMENT PROGRAMME

Interview with
Professor Paul Ingram
ADVANCED MANAGEMENT PROGRAMME
FACULTY DIRECTOR

EMPOWERING YOUR

Leadership at the

PULSE OF BUSINESS IN NEW YORK CITY

Located in one of the world's most dynamic business hubs – New York City, Columbia Business School Executive Education has an unparalleled environment for advanced business education. To find out how it allows executives to immerse themselves in NYC's rich culture and vigorous business scenes, we sat down with Professor Paul Ingram, Faculty Director of Columbia Business School Executive Education's Advanced Management Programme, who sheds light on their uniquely designed curriculum and the proven learning methodology that help executives respond to evolving leadership challenges and create a vision to lead their companies to success.

Q Good day, Professor Ingram! Thank you for taking the time to talk to us today. Let's start this interview by giving us a glimpse of what a day looks like for an academic leader like you?

A I spend a large portion of my time teaching, so most days, I'm in the classroom – or teaching in other locations. Yesterday, I taught a group of associates at a global law firm; today, I'll be in meetings about a new way to bring leadership tools online. This evening, I'll be travelling to Morocco where I'm teaching Executive MBA students as part of a great partnership programme that Columbia Business School runs with the African Business School. And I'm a scholar, so ideally there's also time for some research, maybe some analysis of data and some writing, which is how I like to spend the extra hours that I can eek out.

Q Having held visiting professorships in various parts of the world, can you tell us the most significant development in the business world you've witnessed thus far? How about the next big thing in business / leadership education?

A In a sense, we're seeing a form of globalisation. I'll start by pointing to China, where I've taught for close to 20 years. In the past, Chinese organisations were managed differently from what we would see in other regions of the world. Now the leaders that we teach from China are tapping into a lot of the universals about effectiveness of managing

Human performance – individually and in teams – is becoming a kind of universal ideal. This means that we get to interact more and more with leaders in different kinds of organisations in different places.

yourself, managing teams, and structuring organisations while dealing with their own culture and their own strategies. We're also seeing some of the same leadership strategies in some countries in Africa. In a sense, human performance – individually and in teams – is becoming a kind of universal ideal. This means that we get to interact more and more with leaders in different kinds of organisations in different places.

Q As the Faculty Director of the Columbia Advanced Management Programme, what excites you most or what do you eagerly anticipate in terms of the programme's present and future endeavours?

A In every programme, there will be some incredible people. The participant pool is incredibly diverse, and I can rely on the fact that it is going to have a massive impact on me, just as it does on everybody else in the programme.

Another aspect that excites me about the Advanced Management Programme is that we're always innovating in the programme. While we have a core pedagogy, we're always looking to incorporate new content and ways to take the content to the next level and deliver it in more unique, differentiating and impactful ways. It's exciting to be part of something that is continuously evolving.

Q Columbia Business School is known for being strategically positioned at the very center of business in various aspects, and the Advanced Management Programme is Columbia's flagship residential programme for senior executives. Can you tell us more about what sets this particular programme apart from other executive education courses?

A I don't think there's another executive education programme in the world like ours. Our programme is different from the other Advanced Management Programmes at other universities.



We're dedicated to experiential learning where the participants are actually doing things as a way of learning. We may have a presentation of important new research, a case study, or a framework, but every day the participants are going to be putting ideas into action, trying them out in unique ways.

For doing that, we have New York City as our laboratory. We will learn about presence on the stage of a Broadway theatre. We'll learn about new organisational designs with a startup company. We will learn about shaping culture in one of the world's great museums. We'll learn about teamwork in a jazz club interacting with a jazz band. These are ways to deliver a lesson that you can't get any other way – and the learnings stick. That's the pedagogy and the methodology.

Then we aim the content of the programme at what's most important to the senior executives who have joined us, which is strategy and leadership. We may have a session that touches on the latest ideas from branding or consumer behavior, but it's different – and designed differently – from what an MBA student might learn in a marketing class. It's designed for a leader of an organisation, a potential Executive Director or CEO, through the lense of what they need to know about using these ideas strategically.

Q Your programme curriculum has been regarded as “eye-opening,” “empowering,” and “transformational” by your participants. Can you tell us more about the unique design of the Advanced Management Programme?

A We have a programme that ran around 60 years ago, and it's changed constantly over time. The changes are intentional improvements, thinking about the programme design in a very conscious way. It's not just pieced together. Instead, we have a real arc of learning.

There are three phases. First, we excite participants about the potential of the programme – it's a once-in-a-lifetime opportunity and a chance to do something great. We introduce them to new learning

habits and processes and we set the foundation for what will best allow them to seize this opportunity.

Next, we stretch and challenge them. They're doing exercises in teams that they never thought that they could do before. They're building a network which is helping them in the programme, but will also support them for the rest of their careers.

Finally, we prepare them to take this great experience forward to their organisations and their careers. This is where they're actually applying ideas to challenges in their organisations and where they're thinking about how they're going to tap into resources in their class at Columbia to continue their improvements that seem most important for them.

Q How do you make sure that the participants and their organisations will gain the highest return on their investment in terms of knowledge acquisition, career advancement, long-term profitability for business, and other measures of ROI for an executive education?

A Based on research and decades of experience, our programme has a system for helping participants extract learnings and think about how they're going to apply them. Research has confirmed how important 20 or 30 minutes for reflection at the end of a programme day are to the long-term impact of ideas. It's now a proven practice for learning, but we were ahead of the curve with how carefully we attend to helping the participants with this reflection.

We also think about every element of the programme in terms of its return on investment. We are a unique programme that has actually measured that systemically. We've done pre- and post-programme tests on the leaders' capability, and we've demonstrated that they have improved in the course of the programme.

Q What approach do you take to equip executives with the knowledge they need to immediately and effectively respond to their respective challenges?



We're dedicated to experiential learning where the participants are actually doing things as a way of learning. We may have a presentation of important new research, a case study, or a framework, but every day the participants are going to be putting ideas into action, trying them out in unique ways.

A We actually build their challenges from work into the programme. Participants bring a “Living Case,” a current business challenge they are facing, and apply ideas from the programme with the help of coaching from their peers and faculty to their challenge in real time. They receive feedback on themselves as leaders from the people they’re working with on the job, and – with a lot of support – develop a plan of improvement and constant learning in the ways that are most important for them individually as leaders. During or immediately after every session, we give participants the space to think about taking these ideas back to their workplace.

Q What’s the most challenging when addressing the needs of your participants? And how do you meet their expectations?

A The biggest challenge is the biggest opportunity: diversity. The participants in the programme are all highly experienced and capable leaders, but they’re diverse in terms of the countries they’re coming from, their backgrounds, the industries which they work in, the organisations they lead or serve, and the paths their careers have taken.

This creates challenges of understanding and communication. They have to find ways to relate their organisations to each others’ so they can share learnings that cross between an insurance company in Nigeria, for example, and a financial services firm in the UK.

During the first few days of the programme, a lot of time is spent bumping into each other as they’re encountering these differences. But then there’s a shift. It usually happens by the end of the first week after we’ve given people with different perspectives the opportunity to shine and add value. People start to say, “The first day of the programme, I couldn’t have anticipated how I would have learned from this person sitting next to me. And now I can’t believe the lessons I’m taking back to my business from them.”

This is almost guaranteed to happen, by design, because if you really want to be an effective senior leader, you must look outside your company, your country, your industry, your area of functional expertise and by seeking out learnings and lessons from unexpected places. The diversity in our class is an incredible resource for this.

“If you really want to be an effective senior leader, you must look outside your company, your country, your industry, your area of functional expertise and by seeking out learnings and lessons from unexpected places.”

Q Over the years, the Advanced Management Programme has created positive impact on leadership development and bottom lines results. What have been the remarkable achievements and best feedback that you have received?

A We see careers go in incredible directions. People go on to be CEOs of global organisations and affect the world in ways that they were only dreaming of when they were in the programme. That’s of course very satisfying. But that’s what the programme is designed to do.

What is most satisfying for me is when we get personal recommendations, often across generations of leaders. When people in the class say, “Look, I’m here because I know so-and-so who was in your programme five years ago, 10 years ago, sometimes even 20 years ago. They said it changed their life, and they said I have to do the same.”

Q One of your current research projects focuses on the structure and efficacy of managers’ professional networks. Can you share with us your research findings so far? And what is your advice for participants of the Advanced Management Programme in terms of network development?

A That’s a research topic I’ve studied for a career. We have evidence that your set of professional relationships impacts the bottom line, your capacity to get things done, your access to ideas, your advancement in your career, and the efficacy in the performance of your organisation.



TOP *Executive Education* PROGRAMMES with the BEST ROI

Featuring Columbia Business School Executive Education's
ADVANCED MANAGEMENT PROGRAMME

What I've been working on uniquely is the navigation between the idea that we get economic benefits from our relationships and at the same time have a drive that if there's something that we call a personal relationship or friendship, it should be authentic. That it really should be personal, and it can't simply be somebody who fits the box in terms of the kind of knowledge or help you need and therefore they become part of your network.

How do you navigate between the fact that these are social relationships, but they have economic interests? I have been looking at how leaders navigate this, and the conclusion I have reached is that economically useful network relationships are also authentic – socially and personally. Leaders can't look around the world and say, "This person would be useful, so I'm going to add them to my network." Instead, you have to go around the world, build authentic connections to the places you're going to make investments to reach your professional goals.

But your sincerity, your authenticity, the personal connection actually is the foundation for an effective network. In the Advanced Management Programme, we examine and teach practical ways based on research of helping leaders do this. We help them understand their values, what they really stand for as a leader, and how to express that to others.

Q What do you think are the important qualities a business leader must have in order to drive organisations successfully into the future?

A I think the two qualities that are defining successful leaders at this moment are a capacity for ongoing learning and the ability to lead cultures.

Learning, because business is evolving and organisations are only going to be more dynamic in the future. From the Advanced Management Programme, the executives who have been the most successful over time have been great learners. Of course, we try to cultivate learning, but there's also the intrinsic capacity like their curiosity or their openness that they bring with them.

Then there's the capacity to lead cultures. Culture and strategy are the defining inputs, the differentiators, that determine whether organisations succeed or fail. They're both critically important, however strategy is easier to



Source: Columbia University/Eileen Barroso

learn. And while leading the culture is learnable, it's also an art that takes practice. It takes looking at examples, understanding yourself, and probably some painful failures. It's the rarer skill, and I think the best leaders of the next generation are going to be great learners who will be artful leaders of the culture.

Q How do you make sure your programme has a lasting impact for the professional development of your participants?

A It's in the ways we address those two necessary capabilities of great leaders, learning and culture. Our programme invests a lot of time in the leader as a learner. Our opening session in the programme is about the why and how of learning, and then we continue to introduce tools of great learners throughout the programme.

And we spend a lot of time focussing on this art of leading the culture, particularly in the second half of our programme. We spend a lot of time – especially during the two weeks of the programme that take place in Manhattan – looking at original organisations, looking at organisational change and transformation where culture is always critical, where CEOs and the participants who have great leadership experience share their learnings on careers engaging with culture. We've seen that it's a differentiator for what the people who go through the programme need to be successful after that. We focus on what the leaders need, the process and capacity to be a great learner throughout their career, and being effective with the difficult demand of organisational culture.

Q On a lighter note, people in the upper echelons naturally have a lot on their plate. How do you make sure that you maintain a healthy lifestyle, both in your professional and personal life? What are your favourite routines?

A I've actually learned a lot about the balance between health and well-being and professional success at the

I think the best leaders of the next generation are going to be great learners who will be artful leaders of the culture.

Success is not a moment in time. It's not about where you stand in terms of your achievements or your relative status in your field or in your organisation at any one moment. **It's about your trajectory over time.**

Advanced Management Programme. We have a component of the programme that gives executives the chance to practice well-being every day, to think about their own health, and what they need to refine it, and to get expert advice and coaching on that. There are eye-opening experiences, where everybody begins to understand how important an hour of exercise is for their productivity in the other hours of the day.

The well-being sessions that we have at the programme are also really important for *my* own health. I've tried to incorporate it into my day-to-day life. I'm with the programme two months a year, but that leaves another 10 months. One of the things I do is I walk to work. I find that to be really important and maybe not the quickest, most efficient way to get to work, but it's a good investment in my mindset, my well-being, and my capacity to be successful while I'm sitting at my desk or teaching in the classroom.

Q What does success mean to you?

A I think about this a lot – because I have a professional investment in a programme that is aimed at helping people reach their success. I pay attention to how participants view success. I look at the people who seem successful and satisfied, and I think about the inputs there. I've learned a lot about that through the Advanced Management Programme.

One of the great eye-openers for me has been revising my own ideas about success over the last 10+ years. The conclusion I have reached is that success is a function of constant learning. The people who have opened my eyes and excited me from the early days of the programme were great learners. I've seen

over time as people finish the programme and go on, the difference their trajectory for learning makes, which has some personal characteristics – openness, humility, curiosity – but what it means is that success is not a moment in time. It's not about where you stand in terms of your achievements or your relative status in your field or in your organisation at any one moment. It's about your trajectory over time. The people who have affected me most are the ones who are focused on the trajectory. Over time with my engagement in the programme, I've come to adopt more of that perspective myself.

I don't know if I could have said it 12 years ago, but now my own definition of success is about my constant learning. If I have a failure that I learn from, I'm usually happy, satisfied, and excited for the future.

Q Thank you very much, Professor Ingram. It was a great pleasure speaking with you

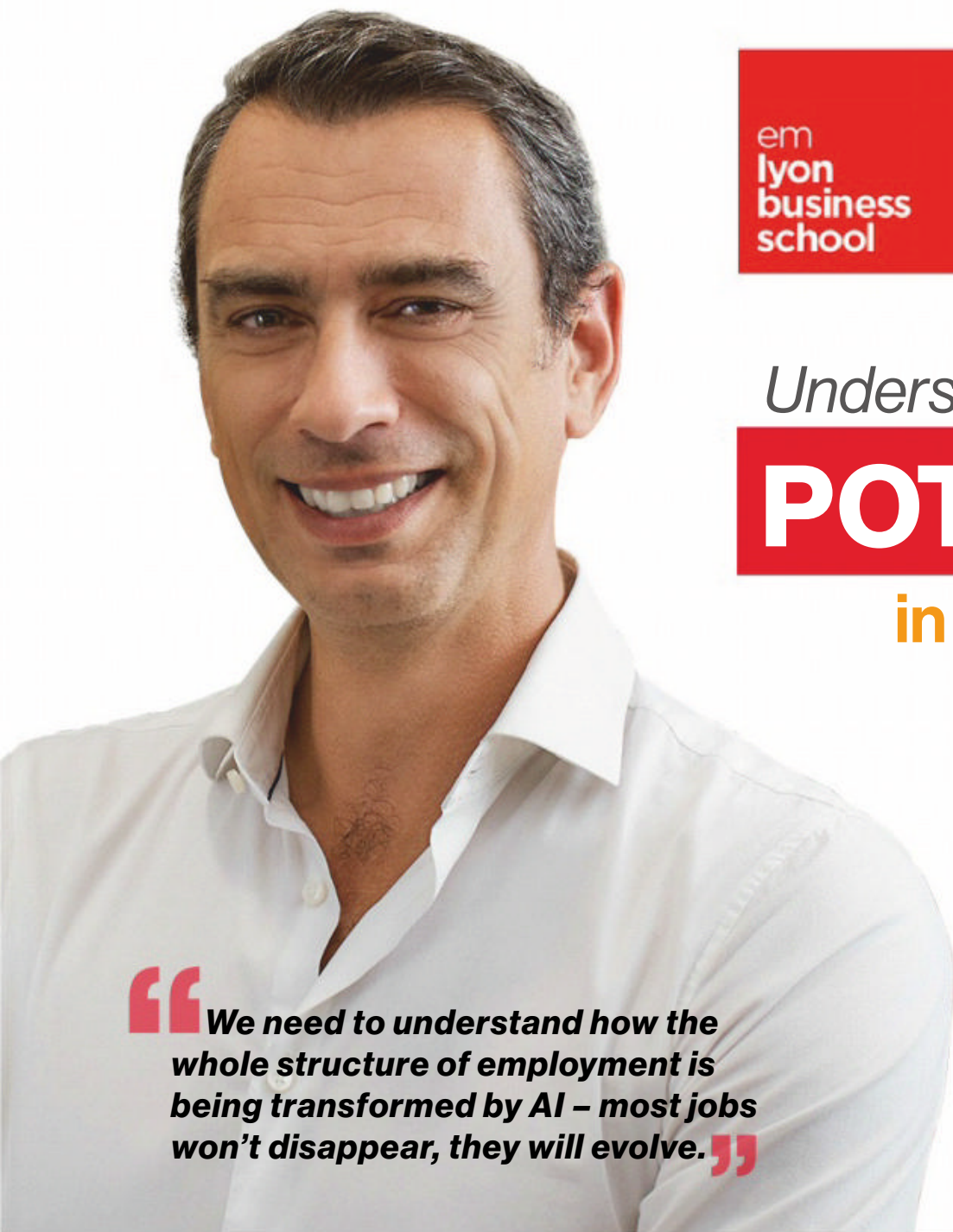


ABOUT THE INTERVIEWEE

Paul Ingram is the Kravis Professor of Business at Columbia Business School and faculty director of the Advanced Management Programme. His PhD is from Cornell University, and he was on the faculty of Carnegie Mellon University before coming to Columbia. He has held visiting professorships at Shanghai Jiao Tong University and the University of Toronto. The courses he teaches on management and strategy benefit from his research on organizations in the United States, Canada, Scotland, China, and Australia, and his research has been published in more than 40 articles, book chapters, and books.

Ingram's current research projects examine the influence of intergovernmental organizations on bilateral trade and democratization, the structure and efficacy of managers' professional networks in China and the United States, and the effects of networks and institutions on the evolution of the Glasgow shipbuilding industry.





Understanding the

POTENTIAL OF AI

in a technology driven world

INTERVIEW WITH

Mr. Renaud Champion

**Executive Director AIM Institute
EMLYON Business School**

“We need to understand how the whole structure of employment is being transformed by AI – most jobs won’t disappear, they will evolve.”

As artificial intelligence (AI) increasingly plays a big role in today’s business and society, it is important to know how different sectors can properly utilise such innovation in order to maximise its full potential. At emlyon business school, a multifaceted initiative was created with the aim to understand the opportunities and implications of artificial intelligence for the management of organisations, industries, and business ecosystems - The Institute for Artificial Intelligence in Management (AIM). To tell us more about the research centre, we sat down with Mr. Renaud Champion, the Executive Director of AIM Institute.

Q Good day, Mr. Champion! Thank you for taking the time to talk to us today. Let’s start this interview

by giving us a glimpse of your day as a Director and industry leader in the field of Artificial Intelligence and Robotics?

A I usually wake up around 6am and start the day with a kiss to my kids, a great source of energy for me. Before work I exercise and go running, cycling or swimming, to be ready for the competitions I take part in at least twice a year. During this practice I take the time to go over all kinds of digital media to get a feeling of the general atmosphere. Robotics and AI have such tremendous impacts on so many domains that I want to be aware of what’s happening everywhere: I am addicted to the news and don’t want to miss a thing. Then, when I am not travelling to meet young entrepreneurs or great researchers in the field of AI, I have a tight schedule of meetings, either face to face or via video

conferencing. Those daily interactions with others are a real source of inspiration for me. I love to exchange views in order to better understand the world, challenge people and be challenged by them. I usually work according to three principles: affect – I like to work with people I appreciate both as humans and professionals, fun and the need to feel socially impactful.

Q Prior to assuming your Executive Director role at AIM Institute, you worked in capital markets involving companies like BNP Paribas and founded your own venture capital firm. How was the transition like?

A I was trained as an AI engineer in France and the U.S. My ten years of experience as a quantitative researcher and practitioner of international capital markets has taught me to invest and take risks, while applying AI algorithms in trading rooms. Then the following decade as a venture capital professional in advanced robotics & AI, I was at the crossroads of my engineering background and my entrepreneurial interests. Along that road I pragmatically experienced the impacts of those technologies from an ethical, socio-economic and business point of view. So, I would say that the transition to my new role as Executive Director of the AIM Institute was quite natural and in continuity with what I've done over the past 20 years.

Q The AIM Institute is a multifaceted multifaceted initiative focused on understanding the opportunities and implications of artificial intelligence. What do you think makes your research institute excellent, unique, and successful in its expertise?

A The ambition of AIM Institute is to understand the opportunities and the implications of artificial intelligence for the management of organisations, industries and business ecosystems. There are many predictions about how AI will change business and the way we work but relatively few empirical studies.

So, our first goal is to support grounded, empirical studies of the way AI can create value on a broad range of business and also how this technology is changing what it means to work and the way work is organised, done and being rewarded. Our positioning as social science researchers studying real-world issues facing organisations in an interdisciplinary way is very unique. Only a few months since the launch of the institute, we already have 20 researchers from different backgrounds and we are expanding very quickly. We can also count on the involvement of our Scientific Committee made up of leading academics from Stanford, EPFL, UT Austin, VU Amsterdam, Florida State University and University of Southern California to help us drive excellence.

Q You are in charge of developing the strategy on Artificial Intelligence as well as the digital transformation of the school and its practice. What are your plans for attaining more innovations and transformation in and through AI for the school in the next few years?

A It is our mission at emlyon business school to prepare the managers and the leaders of tomorrow to work in a technology driven world. For this reason, we are including in all our programme courses on data, robotics or machine learning, etc. and on the impacts these technologies can generate for companies. I think it is highly strategic for us as a business school to take a leading role in such a positioning, and make sure our programmes are increasingly hybrid. On the other hand, AI is also transforming pedagogy itself. We are building new AI-augmented tools to support our students in their lifelong learning journey. Digital technologies can strongly help us personalise that experience. But all those new functionalities are also challenging the role of the professor. What could be optimised by the algorithms, what should stay in the hands of the teacher? This question on collaboration and complementarity of the technology with humans needs to be tackled also in our domain: education.



AIM INSTITUTE

Research that examines how AI and related technologies are altering work and organisations but also how they are capturing value and shaping business ecosystems.

Pedagogical experiences that expose and prepare our students to work with and manage AI technologies.

Innovation that supports technologists and managers in the evolution, adoption, and implementation of AI technologies.

It is our mission to prepare the managers and the leaders of tomorrow to work in a technology driven world. For this reason, we are including in all our programmes courses on data, robotics or machine learning, etc. and on the impacts these technologies can generate for companies.

It is the responsibility of each manager, not only the COO or CTO, to ask oneself this question at one's level: how can AI help me do my job more efficiently or differently?

Q In terms of the developments you've produced at the Institute, what innovation initiatives or enhancements are you focusing on at the moment and what should your present and future audience and partners look forward to?

A On the research side we have several projects under review for high-ranked academic journals and we are working on many new projects studying human-machine interaction, impact of smart devices for the supply chain and operations, new business models from AI-augmented digital platforms or how to design and create better user experiences interacting with new intelligences. We have also launched several series of seminars and workshops with leading scholars from all over the world to address the questions of the impacts of AI on work and value creation. But at the same time we organise monthly outreach lectures open to the general public about the technologies behind AI. On the pedagogy side we are also very active with the creation of an online certificate on AI and Business for managers, new courses on our fields of expertise to be integrated in all EMLY-ON'S programmes (bachelor, MBA, MSc or Executive Education), and regular keynotes posted on the YouTube channel of the school.

Last but not least we are working on the creation of our Technology Transfer department. For every research project, we consider whether the work has the potential to contribute to our understanding of how organisations and institutions can take meaningful and responsible advantage of AI. When we encounter projects that have concrete business applications, we might develop patentable models that could be coded and used to develop an application that a partner business might find useful. Or, we may explore the possibility of launching and supporting a start-up to exploit this innovation.



Q How significant is AI in the workplace and management today and how could organisations and companies handle its impacts effectively and make the most out of it?

A AI, robotics, blockchain... all these technologies have already transformed the workplace. At work we use AI-powered smartphones every day, thanks to the web and smart cameras we interact with colleagues on the other side of the planet just as if they were in the same room, robotics has been transforming factories for more than 30 years and chatbots are changing how we interact with customers... Companies have no choice today and need to adapt, understand how they can use these technologies for their benefit from an economic but also from a human resources point of view. So, it is the responsibility of each manager, not only the COO or CTO, to ask oneself this question at one's level: how can AI help me do my job more efficiently or differently? But to do so they need to be trained on these technologies, on design thinking methodologies, on agility, etc. Companies need to invest in AI but also in their own people to make the most out of these technologies.



Margherita Pagani (left), Digital Marketing Professor of Emlyon Business School with other AI experts at the Women's Forum Singapore. September 2018

Q What do you think are some of the real-world challenges facing organisations and policymakers in terms of understanding the implications of artificial intelligence for work, human resource management and labour markets, and governance? How do you at AIM Institute help address these challenges?

It is true that some jobs will disappear on one side and that new ones will be created on the other. But rather than focussing on the numbers for each side, I think we need to understand how the whole structure of employment is being transformed by AI – most jobs won't disappear, they will evolve. At AIM Institute we address these challenges by deploying researchers to study the impacts on the ground, within companies, with technology providers but also at end-users' locations to gather data, understand the impacts and build knowledge out of it. From this knowledge we could then identify trends in the labour markets' transformation: what are the new skills required to retrain the workforce impacted by AI? What are the new jobs about to emerge and how companies should adapt their recruitment process?

Q We have learned that you are particularly interested in the ethical, legal, and socio-economic issues linked to Robotics and AI. How do you think achieving sustainability and maintaining ethical practices are possible while making technological innovations through AI?

A Over the past 20 years working and investing in AI and robotics, I was



Automated machine at a manufacturing company.

lucky to be involved in many projects impacting various market domains, from finance and industry to agriculture, transport, or healthcare for instance. From this experience I really got the conviction that AI is not only an economic but also a societal opportunity because it can bring the human back at the centre of the game. This is true in the industry, thanks to intelligent robotics systems that work in collaboration with humans who are back in the production line (see the automotive industry). It is also the case in the healthcare domain where assistive robotics can help elderly people for their mobility and their toilet, while the nurse is focussing on the social interaction. Researchers, engineers or product managers need to be trained to become even more ethically responsible when they design new AI technologies. The respect of dignity and human

well-being are key values underlying the “ethical by design” approach that most companies or big tech associations like IEEE are now promoting.

Q Evidently, there are changes in leadership style as our world advances. How do you think the AI will transform the future of leadership?

A Leadership will remain a human attribute for a very long time and I don't believe we will be challenged by machines on that point. AI is definitely changing how we interact with our clients, colleagues and peers. But as exponential automation will undoubtedly boost productivity or open new territories of business, the human factor will stay the key driver of this interaction. Our empathy, our ability to question the world, to unconsciously desire or simply to make mistakes and use this as a source of creativity, are unique features difficult for machines to replicate. So, I think the future of leadership is all about emotional intelligence. I am not a strong believer of Artificial General Intelligence or technological singularity for basic ethical questions. As a humanist I believe that AI should foster human skills and, in the end, human well-being.

Q On a lighter note, leaders atop a company or organisation naturally have a lot on their plate. What habits keep you focused and healthy at and off work?

A Actually, I have many different plates because I have several hats. Since everything I do is connected to AI it is quite easy not to lose focus though. This mix of activities is a real source of diversity and energy for me – I never get bored

From this experience I really got the conviction that AI is not only an economic but also a societal opportunity because it can bring the human back at the centre of the game.

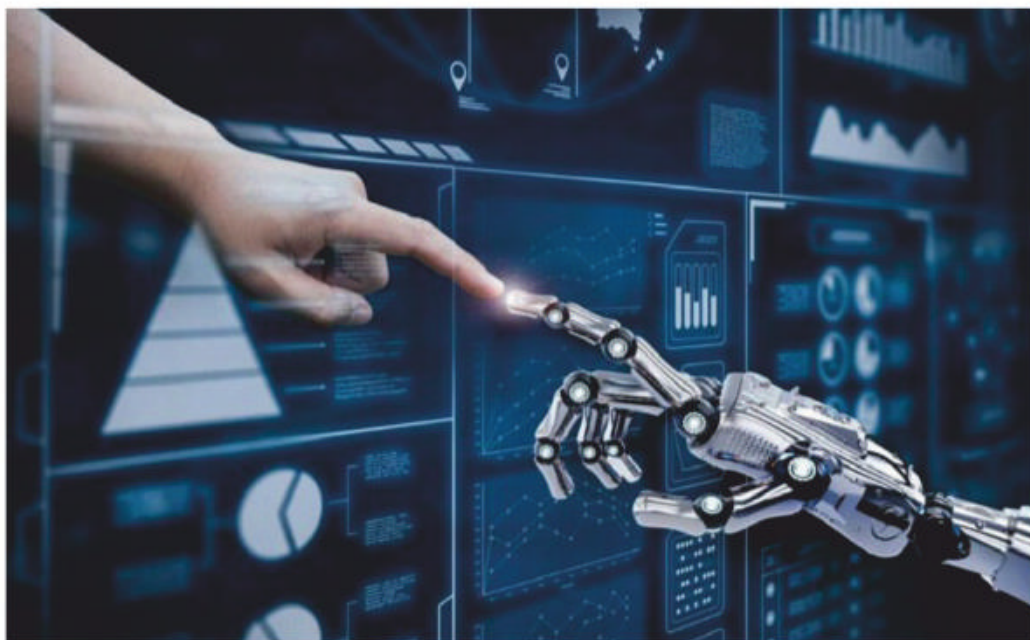
Get an objective understanding of what it is, what it can do – far away from all the fantasy, and make your own opinion. Then be curious and open yourself to many application domains.



with what I am doing! But I have to admit that I also have a double-life: when I am not an actor of the higher education and AI, I turn into a farmer during the weekends, driving big agricultural machinery like 350 horse power tractors or 18 tons combined harvesters. Going back to my farm and working on my land is a kind of balance for me. It allows me to keep serenity in my life and to maintain a connection with the real world and my roots. But AI is never too far. I am currently working on an amazing project with other farmers to test and deploy robotics solutions in order to make agriculture less difficult and more sustainable from an ecological, economic and human point of view.

About the Interviewee

Renaud Champion is Director of Emerging Intelligences at emlyon business school, member of the Executive Board in charge of developing the strategy on Artificial Intelligence as well as the digital transformation of the school and its practice. He is also Director of euRobotics AISBL, the European Association of Robotics acting as the private side of SPARC, the Public-Private-Partnership for Robotics in Europe, and an independent expert for the European Commission on innovation and investment in advanced technologies. He has published articles and white papers on the ethical, legal and socio-economic issues linked to AI and Robotics.



Q What advice would you offer for those who want to catapult their career forward in the technology sector?

A First of all, I think it's a very good idea because the technology sector will be massively hiring in the coming decades! First thing I would suggest is to get a strong cultural understanding of what these technologies are about, what are their histories, how have they changed the world so far. In a nutshell, get an objective understanding of what it is, what it can do – far away from all the fantasy, and make your

own opinion. Then be curious and open yourself to many application domains. Even if you are interested in industry, look at what is happening in the healthcare sector with robotics. Even if you are interested in finance, look at what is being developed in the cybersecurity world with the blockchain. AI is a very transversal technology that impacts all market domains and its potential of transferability is huge. Another advice would be to team up with people you get along well with and who have a complementary expertise – build a team. This is especially true for technology because inventing a great new tech is one thing, but making a product out of it that some clients would buy in the long term is a different question. So the more relevant points of view around the table, the quicker you'll find the way!

Q Lastly, what are the three things you will not leave home without?

A My smartphone to connect to the world. My enthusiasm to be open to others...and my keys to come back to my family and kiss them goodnight.

Q Thank you very much, Mr. Champion. It was a great pleasure speaking with you.

make your future

INTERNATIONAL MBA EXECUTIVE MBA

Ranked 5th worldwide for career progression
(Financial Times 2018)

early
makers

em
lyon
business
school

—
LYON . PARIS

How To Design an AMBIDEXTROUS ORGANISATION

BY JONATHAN TREVOR AND PETER WILLIAMSON

How can leaders today design and manage their organisation to make it deliver both efficiency and flexibility? The authors explore the emergence of the ambidextrous organisational form, and propose a new concept called “the Enterprise Ecosystem” as a response to address the challenges facing companies in the 21st century.

Many CEOs we talk to nowadays recognise that their companies need to be more flexible to accommodate fast-changing customer demands. They are also under pressure to maintain a relentless focus on efficiency. The result is an uneasy feeling that their organisations are not up to the challenge of doing both well. This frustration shouldn’t come as a surprise because the still dominant 20th century models of organisation offer only an unpalatable choice: prioritise *either* efficiency *or* flexibility.

To maximise efficiency, the tried and tested approach has been to adopt a rigid hierarchical organisation based on top-down decision-making, high division of labour and formal rules, and lastly, policies and procedures optimised for an industrial, mass-production age. For enterprise-wide flexibility, the increasingly popular alternative is

to embrace an “internal market” model based on loose networks of empowered experts, few boundaries, high informality, and horizontal interaction across a flat structure that aligns around values. Neither offers a silver bullet. So, companies risk “flip-flopping” between these extremes in endless rounds of re-organisation.

The challenges of the 21st century demand a new approach. A promising avenue of management research is focussed on the emergence of the *ambidextrous organisational* form – these are organisations that are capable of exploiting existing opportunities efficiently, whilst simultaneously exploring new opportunities and developing capabilities for the future¹. Whilst the concept is well established in management literature, how these ambidextrous forms of organisation are designed and managed in practice is much less understood.

Based upon our in-depth research and consultancy with companies operating in a variety of different sectors, we put forward a blueprint for designing an organisation as a network, with enough structure to make it capable of efficient implementation, but enough flexibility so that it is capable of rapidly learning and adjusting itself to its changing environment (please see About the Research).





We call this model of organisation the *Enterprise Ecosystem*. But what does such an organisation look like in practice? How does it reconcile the uneasy bedfellows of efficiency, consistency, flexibility, and creativity at a large scale? How can leaders design and manage their organisation practically to be capable of “doing both”, as Inder Sidhu of Cisco Systems puts it².

Demands on the 21st Century Organisation

In looking for answers to these questions, we began by reminding ourselves what the 21st century organisation needs to deliver for superior performance. Boiled down to fundamentals, today’s organisation must be capable of two things: integration (efficiently bringing together products, services, people, knowledge, materials, and operational activities) and flexible adaptation (responding to varied and fast-changing customer needs, ideas, technologies, and business conditions).

Bureaucracy and the Search for Efficiency

Bureaucracy has developed a bad name. But still, many organisations continue to embrace the principles of bureaucratic work organisation based on strict hierarchy in the quest to efficiently convert inputs, including people, knowledge, and financial capital into outputs in the form of products and services. Rationally conceived, planned and executed hierarchies put managers in control of work activity to maximise productivity and minimise waste, thereby creating maximum surplus value. Notionally, the ‘machine’ bureaucracy is ideal for efficiently matching relatively predictable demand with predictability of supply in terms of volume, quality, and cost.

These qualities have helped many product-centric firms to thrive throughout the 20th century. McDonalds is an exemplary bureaucracy, in the sense that it excels at efficiently executing its strategy through standardisation, formalisation, and routinisation of operations on a global scale. It can deliver its products consistently in a timely fashion, at an acceptable cost, and to required levels of quality across thousands of different locations. McDonalds sells more than 75 hamburgers every second and serves approximately 70 million customers every day in over 30,000 outlets located worldwide³. So, let’s not forget that while “bureaucracy” is now

frequently used as a term of derision, it has proved to be highly successful over centuries in delivering standardised products and services at a large scale.

But hierarchies also have downsides. Even at their best, bureaucracies constrain companies to product leadership. They lack the typical agility to respond quickly to changing customer needs, nor can they easily customise what they are able to offer. Hierarchies also rely upon the wisdom of the few at the top for direction. Those who chose to design their organisations around the ideal of a well-oiled machine have found that while they thrived in the industrial, mass product age, they are now faltering in the fluid environment of the 21st century.

The Alternative: A Flexible Internal Market

The antithesis of the bureaucracy is the internal market model of organising work. Where bureaucracy is highly vertical and integrated around a hierarchy, internal markets have no ‘centre’ to speak of. Instead, an internal market typically comprises highly independent, separated, and autonomous teams and individuals. An organisation embodying an internal market emphasises flexibility above all else – the flexibility to configure and reconfigure rapidly around changing customer preferences.

About this Research

This article draws upon an on-going research and executive engagement focussing on innovations in organisational design and management practice. Our initial ideas were developed and tested via a comprehensive review of salient literatures, analysis of secondary data and in-depth executive interactions on customised and open enrolment executive education courses with participants from a variety of industries and geographies.

Over successive executive engagements, including in-depth case studies and consulting assignments with market leading enterprises operating in a variety of different sectors (including insurance, shipping, logistics, banking, professional services, professional associations, recruitment, mining, high-technology and government), ideas were developed, tested, refined and reapplied. As action research, each engagement was initiated to solve specific firm-level strategy and organisation challenges.

Combining the best of hierarchy and internal market sounds great in theory. But creating a hybrid organisation is much more difficult in practice.

Structurally, an internal market resembles a loose network with little or no hierarchy. Authority is delegated and knowledge is widely dispersed. Whereas traditional forms of organising emphasise the strategic value of economies of scale, the internal market emphasises the value of flexible differentiation – the capability to produce inimitable innovations (or variations) at the point of customer interaction. Decision-making is no longer the domain of the ‘wise’ few at the top. Decisions are usually made collectively, openly, and transparently⁴.

But the internal market model is not easily scalable nor is it efficient or easy to replicate – ‘lightning in a bottle’ cannot be reliably produced to order. Companies that plump for lightly structured networks in the face of an increasingly turbulent and uncertain operating environment often find themselves directionless and floundering. Equally, it is all too easy to find oneself beset by energy-sapping turf wars in an unstructured and often highly individualised environment.

The very independence of the parts – in the form of enterprising individuals and teams – enables internal markets to flexibly adjust to the needs of individual customers, but also prevents the firm to be scalable as a whole. It is unlikely to be more than the sum of its parts because there is little in the way of joined up ways of working. In extreme cases, it is incapable of pursuing a common purpose that transcends individual goals and financial self-interest.

Pursuing the Best of Both

Clearly, there is no one-size-fits-all prescription on how to design a winning organisation. The hierarchy and the internal market are two very different ways of organising work, each with advantages and disadvantages. It is helpful to think of them occupying the

opposite ends of a spectrum, with a range of options in between which are more or less appropriate according to the circumstances of individual firms. Product-centric firms that win by exploiting economies of scale will always conform more to the organising principles of the bureaucratic, hierarchical model. Service-oriented firms that need the flexibility to respond to fast-changing customer needs or maximise creativity may veer more towards the internal market end of the spectrum. But increasingly, forward-looking firms with whom we work with are looking to secure the best of both worlds.

Take the example of Facebook. Soon after its IPO, Facebook realised that its unstructured “Move Fast and Break Things” organisation wasn’t working. It restructured to funnel the energy of its people into focused technical teams and product groups reporting to six “area leaders” (division heads). The aim was to make its product development process faster and less erratic and have a chance of meeting the demands of its new public shareholders. The new and now famous mantra is “Move fast with stable infrastructure”, which speaks to the challenge of managing a large organisation globally.

At the other end of the spectrum, Rolls Royce Aero Engines has a hierarchy capable of producing a jet engine that involves integrating a “bill of materials” with as many as 25,000 parts. It was also able to launch a series of new jet engine designs to match each major new airframe and then innovate through a succession of improvements and regular upgrades over decades. This enabled it to compete successfully in a world of standardised, mass-produced goods and services, even for a product requiring a huge diversity of the elements, so long as change and innovation was restricted to a regular timetable determined by the company. But today, Rolls Royce needs to sell its customers “power by the hour”. Instead of purchasing an engine, they buy units of thrust from Rolls Royce to power their fleets of aircraft over a contracted span of time.

This shift demanded a step-change in Rolls Royce’s capabilities for both integration and





Many key members of Facebook's product and engineering teams, shown here celebrating Zuckerberg's birthday.
Source: Facebook / Mark Zuckerberg

flexible adaptation. It now needs to integrate diverse capabilities in maintenance, customer service, and inventory management with a deep knowledge of how the customer runs its own business. It also needs to be able to flexibly adapt to the business models of different customers, their route structures, flying schedules, and internal processes. It is all designed to make life easier for the customers, but delivering power by the hour also places new pressures on the Rolls Royce organisation. A sequence of damaging profit warnings throughout 2015 underlined how ill-equipped it was to address them.

Or consider Microsoft. It has to integrate millions of lines of code and the knowledge of an army of IT engineers-specialists. It has to always adapt its product, launching a series of new versions and a continuous flow of

security updates and patches for its PC users. But today, Microsoft must integrate into its offerings the needs of a diverse set and range of devices for different kinds of customers, from mobile handsets and tablets through to game consoles and television screens. It also has to adapt its product much faster than before as the PC market declines and a myriad of new interfaces emerge, including voice, touch, eye movement, and facial recognition. It must also respond to an era of cloud computing and rapid developments in artificial intelligence.

Combining the best of the hierarchy and the internal market sounds great in theory. But creating a hybrid organisation is much more difficult in practice. So, what do these hybrid organisations look like and how can they be designed to achieve efficiency and flexibility simultaneously?

The Enterprise Ecosystem

We believe that a hybrid organisation is capable of both efficiency and flexibility and will be structured as an *Enterprise Ecosystem*. The design of an *Enterprise Ecosystem* starts from the perspective that 21st century work organisations are – must be – complex adaptive systems. The complex adaptive system comprises multiple different, but complementary species, each pursuing their own specialist roles but which are interconnected in ways that allow them to generate mutual benefit and achieve a common purpose⁵. Acting together, they can achieve more than the sum of the parts. And they are more resilient because they can respond systemically to overcome environmental disruption. Complex adaptive systems adapt to their changing environment by continuously reconfiguring their mix of species and the form and extent of the interdependencies between them, according to the requirements of the external environment.

Everyday examples of complex adaptive systems include economies, natural biospheres, and even organs, such as the brain. So why not companies? For species read teams, individuals or functions – different pools of talent (or technologies) that, when connected, provide the *Enterprise Ecosystem* with a variety of valuable knowledge, skill, and capability to address the multifarious demands of customers and markets. For interactions, read structures, relationships, reporting lines and information flows.

Unlike most naturally occurring complex adaptive systems that are entirely emergent, self-organising systems, *Enterprise Ecosystems*, by

The Enterprise Ecosystem as a whole can adjust to the changing environment guided by its common purpose. This contrasts with multi-agent systems of organisation where the individual agents act purely independently according to their own, narrow self-interest.

contrast, can be designed to fulfil a specific purpose. This means that the *Enterprise Ecosystem* as a whole can adjust to the changing environment guided by its common purpose. This contrasts with multi-agent systems of organisation, such as internal markets, where the individual agents act purely independently according to their own, narrow self-interest⁶.

The Chinese telecommunications equipment company Huawei is an example of an Enterprise Ecosystem. Despite the political controversy it has attracted in the US, Huawei is now the largest maker of telecoms equipment in the world with over 145 operations in different countries, and has surpassed Sweden's Ericsson with \$60 billion of sales, 66% of which came from outside China. When we interviewed one of the many Western expatriates who now work for Huawei, he recalled that on his first day with the company, he asked to see an organisation chart. He was stunned by the answer: there wasn't one. At first, he thought the privately owned company was just being secretive, but over the coming months, he came to realise that Huawei really didn't have an organisation chart in the usual sense.

Certainly, there was a hierarchy. In fact, much of the direction was very top down and the boss's word was proverbial law for many employees. In addition, there were units with different capabilities and specialisations, such as manufacturing, product development, sales, or finance, but these capabilities were continuously being reconfigured around projects or problem solving. When a new customer opportunity was identified, a team from across the company would be marshalled. When one of the top dozen leaders of the company agreed a new product initiative with their peers, a team would be put together to take it from idea through product development and manufacturing, to final installation and service, often involving hundreds of people from within Huawei's global operations. People would be added or reallocated through the life cycle of that initiative, flexing the capability-set and capacity as required. The same process was applied to making improvements in Huawei's processes and support systems.

The pattern was also repeated at the coalface within each bid team, product development project, or improvement

initiative. When a problem needs to be solved, the project team (often under intense pressure from above) gathers together anyone from the company that can help them in the mode of "huddle and act" until a solution is arrived at. The company is, therefore, strong on vertical hierarchy, but extremely flexible at all levels horizontally, reconfiguring itself continually to serve the next customer demand, back new initiatives, solve problems as they arise, and maximise knowledge exchange and joint learning.

An interesting reflection of this ecosystem is that when you receive a business card from a Huawei employee, it lists their expertise under their name (such as digital signal engineer or chip designer), but nowhere is there any reference to their department or business unit. Why? Because what counts is that they are a resource with specialist capabilities and experiences that can be flexibly deployed according to the emerging needs of the business.

This concept also applies right to the top of the company. Even the Chief Executive Officer (CEO) isn't a fixed position in Huawei. In 2011, the company introduced what it called a "rotating CEO system under the leadership of the Board of Directors". This system provided for rotating "acting CEOs" to take turns leading the company for six months. After the rotational period is over, the non-acting rotating CEOs remained part of the company's decision-making nucleus⁷. Likewise, other senior employees must re-apply for new jobs every three years. These mechanisms aimed to avoid complacency and maintain ambition and dynamism in a fast-moving industry. Huawei's founder, Ren Zhengfei points out that: "A rotating system for leaders is nothing new. In times when social changes were not so dramatic, emperors could reign for several decades and create periods of peace and prosperity. Such prosperous periods existed in the Tang, Song, Ming, and Qing dynasties. The rotational period for each emperor lasted several decades. Some companies in traditional industries rotated their CEOs every seven or eight years, and these CEOs experienced some prosperous times in their industries⁸."

According to Ren's thinking, the connections between different capabilities, and therefore people, shouldn't be fixed in the way that a traditional boxes-and-wires organisation chart demands. Other companies, while not going quite as far as Huawei, have moved much closer to an ecosystem model. Rolls Royce, for example, has invested heavily in transforming its organisation into a network for creative problem solving. It has opened-up a massive number of new connections between its customer facing business units, functions, and country-based units by initiating projects that depend on collaborative working and knowledge exchange, backed by

Rather viewing the organisation with a set of activities, ecosystem thinking starts with pools of different capabilities as the fundamental building blocks of effective organisation.

peer-to-peer monitoring of quality and performance. A Rolls Royce executive summed up the benefits this way: “We get the whole organisation engaged in meeting new objectives. Hitherto, they were seen as a management problem to solve. Now, we get the minds and intellect of the whole organisation into solving our problems⁹.”

Meanwhile, ARM, recently acquired by Softbank for a considerable market premium, and whose RISC (reduced instruction set computing) architecture has become the de-facto global standard, organises itself as many project teams interacting as a single network across each of its five divisions. The divisions themselves are embedded in a corporate structure that prevents them from becoming silos. Members of the senior executive team also sit on the boards of each division to ensure that both the corporate and divisional objectives are considered in any strategic initiative and a cross-division, cross-function Product and Project Approval Team decides on the projects ARM undertakes.

Of course, some of this thinking isn't new. Many professional services firms, such as law firms, business consultancies, or investment banks work in a similar fashion. However, ecosystem thinking also takes the familiar project-based organisation to a new level of comprehensiveness and, critically, scale. Unlike project-based organisations, *Enterprise Ecosystems* endure; they are not time limited nor are they a discrete component of a wider organisation or alliance.

Enterprise Ecosystems typically incorporate multiple temporary project-based organisations alongside permanent units as part of their overall network. The emphasis is on managing the connections between all varieties of “sub-organisation”, permanent and temporary, large and small, execution or innovation focussed, to ensure the whole of the ecosystem is worth more than the sum of its parts when aligned to the enterprise's enduring purpose. There are also similarities with matrix approaches to work organisation, especially in terms of the value placed upon horizontal connectivity. Unlike matrix organisations, which are designed principally to manage the interactions and potential

An effective Enterprise Ecosystem needs different types of people. They don't all need to be well rounded or ambidextrous. But they do need to have distinctive capabilities that define their species and their functionality for peers.

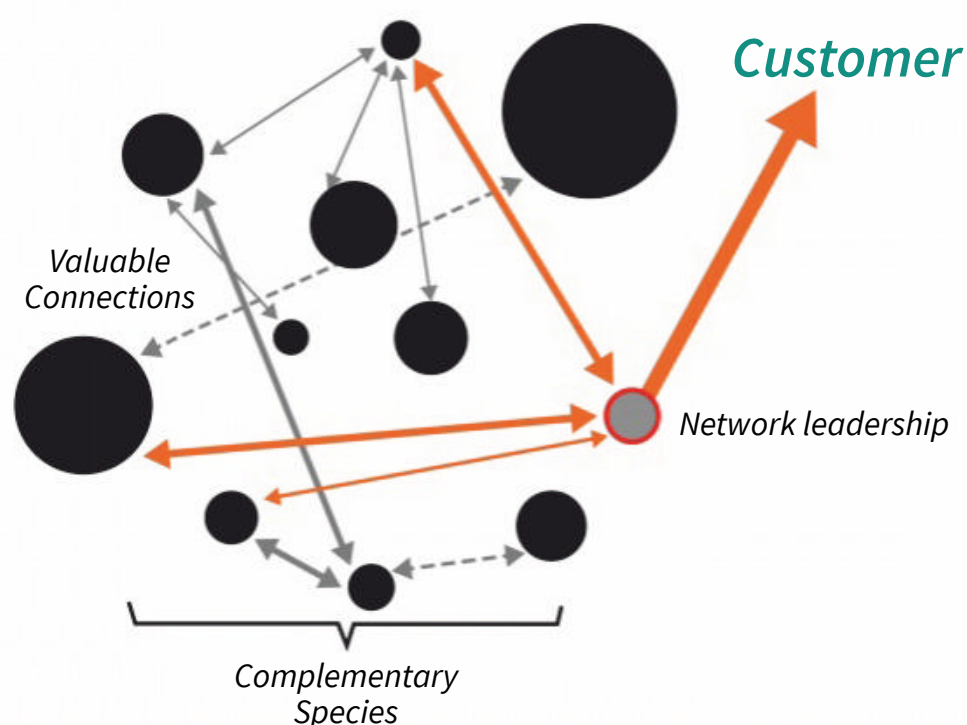
trade-offs between different product lines and geographies, the *Enterprise Ecosystem* manages an even broader range of connections, including different domains of capability.

Rather viewing the organisation as a set of activities, ecosystem thinking starts with pools of different capabilities as the fundamental building blocks of effective organisation. Rather than hard-wiring the organisation, an ecosystem approach focuses on creating structures and incentives that encourage the formation of flexible connections between these capability pools that can be constantly reconfigured. Finally, rather than being driven by traditional reporting lines, the *Enterprise Ecosystem* is propelled forward by the energy that comes from grasping opportunities and solving problems within the context of a clear and compelling common purpose – the unifying *raison d'être* of the network.

Designing The Enterprise Ecosystem

Designing an Enterprise Ecosystem begins with putting into practice three key principles. First, an ecosystem must bring together different species. In an external ecosystem, the species are different kinds of partners such as customers, end users, institutions, influencers,

Competing On Superior Capability: The Enterprise Ecosystem



and so on. The species in an internal ecosystem are capability and knowledge pools made up of different kinds of people and technologies. Second, the connections between species in the ecosystem must be designed to flexibly integrate knowledge, and not as traditional reporting lines. The purpose of these connections is to bring together complementary capabilities and knowledge and to promote joint learning and creation¹⁰. Third, the energy that powers the ecosystem forward must come from shared purpose and values, not from pure command and control.

Attracting and Developing the Right Species

An effective *Enterprise Ecosystem* needs different types of people. They don't all need to be well rounded or ambidextrous. But they do need to have distinctive capabilities that define their species and their functionality for peers.

The first species required are *efficient executors* – people who enable plans to be turned into action efficiently. They need the capability to deliver reliable quality with minimum errors at maximum efficiency. Efficient executors are sometimes in short supply. When Rolls Royce set up its new \$565 million advanced manufacturing facility in Singapore to produce its most advanced products – Trent 900 and 1000 engines for the Airbus A380 and Boeing 787 Dreamliner, and 6,000 titanium fan blades per year – they needed to recruit and train over 450 technicians capable of performing against stringent quality control requirements and maintaining absolute manufacturing consistency. The pool of seasoned aerospace technicians in Singapore was extremely limited. So Rolls Royce decided to slice its manufacturing process into chunks smaller than it used at its home base in England where it had efficient executors with 30 or 40 years of experience

building engines. This enabled them to re-define the capability requirements of their efficient executors to emphasise 'depth not breadth'; so they could develop technicians' capabilities faster through more repetitions of a narrowly defined task in any given month. However, as we discuss below, to make this new, more specialised internal ecosystem work they also needed to integrate them through better connections and knowledge sharing between technicians trained to execute a narrow range of jobs reliably. Similarly, Huawei and ARM need large pools of people with efficient execution capability who also need to be connected with others throughout the *Enterprise Ecosystem*.

The second species an *Enterprise Ecosystem* needs is the *creative generalist*. Their key role is to integrate capabilities and knowledge drawn from throughout the *Enterprise Ecosystem* to ensure customer delivery, or push a project forward or solve a problem. They need the ability to span multiple organisational boundaries, both internal and external, and provide a bridge for knowledge exchange. As 'T-shaped' talent, they typically have

in-depth knowledge of one domain, but also broad knowledge of other areas. Much of ARM's early success was built on its "partner managers" who acted as creative generalists. The partner managers were the "eyes and ears" of ARM in their external partners. But other important parts of their job were to represent a partner internally within ARM and provide feedback to ARM teams including engineering, marketing, and management regarding partners' technical and business requirements so that ARM could develop and reconfigure its capabilities to serve the emerging needs of the market. One of ARM's most successful partner managers in Korea exemplifies the skills required: he had worked for many years with a large computer hardware company in Korea, then founded his own systems-integration start-up, giving him a very broad knowledge of both technologies and the industry.

The third species required to underpin an *Enterprise Ecosystem* are *flexible specialists*. At their core, flexible specialists have deep knowledge of a domain, but they also need the



adaptability necessary to apply this knowledge to different opportunities, projects, or problems, shifting between them in different timescales. Huawei, for example, has a team of over 40 photonics technologists and scientists in eastern England, many of them with advanced degrees. They need the capability to switch between developing prototypes for products that would be rolled out in the near term and next generation technology with a gestation of between three and ten years.

Establishing the Right Types of Connections

In any *Enterprise Ecosystem*, these species need strong capabilities to connect with others – even those with very different skills and ways of working. They not only need to be good at learning, but also able to share that learning across the internal ecosystem and sometimes also with external partners, customers and end users. All *Enterprise Ecosystems* need to incorporate proficiency of making and maintaining connections into their recruitment criteria. To enable this to happen smoothly, an *Enterprise Ecosystem* also needs the right types of connections between the species within it. Rather than traditional reporting lines, these connections reflect where knowledge needs to flow within the organisation to deliver results.

The key to promoting these connections is to establish a set of magnets that can pull together the relevant capabilities and knowledge that can produce results through exchange and interaction. As we have already noted, these can be customer opportunities, product or technological projects, or problems that need to be solved. These magnets, each of which has its own lifecycle, are the fundamental “work units” of the *Enterprise Ecosystem*. For administrative purposes, individuals may belong to a capability pool, but their day-to-day activities are part of the opportunity, project, or problem they are working on at any time.

An ARM executive explained the ways these magnets and connections work: “How do you integrate and communicate the multiple strands of information coming from the OEMs, partners, and different internal specialists? Part of the answer lies in keeping the ultimate objective constantly in view: in our case to develop a technology roadmap that was what might be termed ‘the highest common denominator’ between different partners’ requirements.

In any *Enterprise Ecosystem*, these species need strong capabilities to connect with others – even those with very different skills and ways of working.

The ultimate prize is to develop IP on new designs and architectures that can be licensed globally to a wide range of semiconductor partners.”

Powering the Enterprise Ecosystem

Generating alignment behind a common purpose is a necessary condition for maintaining an effective *Enterprise Ecosystem*. In the absence of traditional command and control, there are increased risks of entropy and conflicts between the different capability species in the internal ecosystem. Entropy dissipates energy and undermines performance as Facebook discovered. A key role of senior management in an *Enterprise Ecosystem*, therefore, is to define and communicate a common purpose that gives both focus and energy to the network.

Today, developing a strong sense of pride amongst employees is a key focus for HR leaders at Facebook to power their organisation forward. Pride fosters commitment to the enterprise and its purpose, which is essential for harnessing ecosystem working in the form of complementary teams (and the knowledge and creativity they bring) as well as the complex interactions that enable peerless innovation whilst operating at scale. The three factors from which pride originates are *optimism* for the company’s future, a belief in the goals and objectives that make up the company’s *mission* and confidence that the company is doing *social good*¹¹. These three factors combined become a dominant organising logic within the Facebook *Enterprise Ecosystem*, and foster an open culture enabling people to “move around and solve the problems they care about most” to fulfil “our mission to make the world more open and connected¹²”.

People within the *Enterprise Ecosystem* need to know “what do we exist to achieve?” (purpose) and “where are we going?” (a vision of the future and what success looks like). Early in its history, for example, ARM’s then newly appointed CEO, Sir Robin Saxby, posed a brutal question to his senior



team: “Should we strike out for something, or just be in the hand-to-mouth chip design consulting business?” With Saxby’s enthusiasm and the founding engineers’ belief in their technology, they decided ARM’s purpose and vision would be to “become the global standard for RISC chips with a target of embedding ARM designs into 100 million chips by the year 2000.” To date, ARM partners have shipped over 60 billion ARM-powered chips used in more than 95% of the world’s mobile phones.

Enterprise Ecosystems also ask a lot of their people in terms of commitment in the overall goal of the company rather than just their immediate unit, and in terms of adaptability and willingness to live with ambiguity. In return, those working within these structures expect a lot from the companies and networks they work for. To devote this kind of energy in the face of the uncertainty of an ever-changing role in the internal ecosystem, people demand their leaders establish a set of rules they can buy into and respect, and that won’t happen unless they perceive the rules and distribution of opportunity in whatever form it may take is fair – from income, promotion, or interesting work simply.

Leading the Enterprise Ecosystem

Enterprise Ecosystems need to be led differently from traditional structures. To see how, consider the genesis of one the iconic products in ARM’s history, codenamed the ARM 9E. The project began with ARM looking for new application areas beyond cell phones. After a brainstorming session led by a group of its product managers, they alighted on disk drives. The product manager of the existing offering most closely adjacent to this new market, John Rayfield, took up the challenge. He proposed a joint development project with a leading customer to co-develop the new product. When that customer chose a

competing solution, he went to a second prospect; it also refused. Eventually, he identified a partner, Cirrus Logic, who was interested in adding an ARM design to complete its product offering. The ARM product manager convinced an ARM technical specialist to contribute and together with Cirrus they went to pitch the idea to Western Digital. This also ended in pushback from the potential customer, but this time they received the go ahead to come back with an improved specification. At next meeting, Western Digital’s senior management in California asked for Robin Saxby, then ARM’s CEO, to attend in person. During the meeting Saxby declared “I want your business, what do I need to do?” On hearing the list of deficiencies in ARM’s existing proposal he said, “Alright we’ll fix it.”

Even with the CEO’s commitment, completing the project in ARM’s *Enterprise Ecosystem* wasn’t a fait accompli. Rayfield “spent a lot of corridor time” bouncing around the ideas of his colleagues and getting input from people with both technical and international experience. He then put this together in a proposal that he circulated to 15 people scattered across the company, chosen for their specialised skills and experience. Rayfield received a huge response, some of which stunned him. Although, as he commented, “I felt I had thought things through very well ... but these guys tore the ideas to pieces, pointing out things I had never thought of.” But through this process, Rayfield was able to assemble a team with diverse capabilities who were able to develop the specifications into a workable blueprint. He took it back to the customer who subsequently contacted his boss, Saxby, to congratulate ARM on the new initiative. CEO Saxby’s response to Rayfield was telling: “I’m glad they like it, but John, what exactly is it?” Shortly afterwards the 9E graduated to become a fully-fledged product development project and Rayfield was able to extend his team



People within the *Enterprise Ecosystem* need to know “what we exist to achieve?” (purpose) and “where are we going?” (a vision of the future and what success looks like).

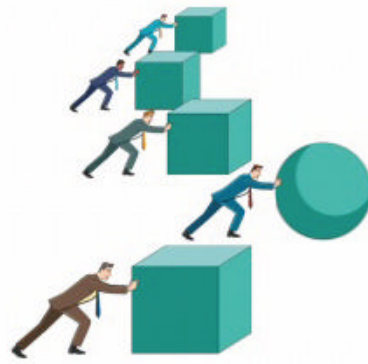
to draw on the full capabilities available within the ARM organisation. The final product turned out to be an important driver of the company's growth, with applications in audio devices and storage, and Rayfield later became the Director of Research.

This experience demonstrates a number of the ways successful leaders at different levels within an *Enterprise Ecosystem* need to think and act. First, they need to think in terms of the capabilities they require in order to win in the unfolding competitive environment, and how those capabilities are best built and sustained, rather than in terms of boxes and wires. Second, they have to accept less control and predictability about the way their organisations respond to opportunities and tackle problems. They promote behaviour in their people that generally asks for forgiveness rather than permission. Third, they need to embrace the idea that integrating different capabilities and winning commitment from within an *Enterprise Ecosystem* will be an entrepreneurial, iterative process.

Organising for the 21st Century

Today's organisational solutions, whether they are traditional bureaucracies, matrix structures, "organic" organisations, or the customer-focussed company, don't seem to be delivering on the demands of the 21st century business environment: efficient integration and flexible adaptation. Maybe it is time for a fundamental re-think inspired by ecosystem thinking. This means viewing your organisation not as a machine or a market, but as an *Enterprise Ecosystem* consisting of species with different capabilities and knowledge and the structures and incentives that encourage connections between them; connections that can be constantly and rapidly reconfigured to keep pace efficiently with the external environment.

Companies such as Facebook, Rolls Royce, and Huawei have already moved decisively in this direction from either end of a spectrum that incorporates the dominant organising logics of the 20th hierarchy and internal market. But to make it happen, leaders need to reassess their roles and styles to succeed



Successful leaders at different levels need to embrace the idea that integrating different capabilities and winning commitment from within an *Enterprise Ecosystem* will be an entrepreneurial, iterative process.

in a post-bureaucratic world. And these new *Enterprise Ecosystems* will not get off the starting blocks without the energy that comes from a common purpose and compelling vision of the future to propel them forward. **EB**

About the Authors



Jonathan Trevor is Associate Professor of Management Practice at the University of Oxford, Saïd Business School. He holds a PhD in Management Studies and Economics from Cambridge University. He works extensively with executive leadership teams in all sectors and internationally to apply his research, and teaches on the Oxford MBA, Executive MBA and executive education courses.



Peter Williamson is Professor of International Management at the University of Cambridge, Judge Business School and Fellow of Jesus College, Cambridge. He holds a PhD in Business Economics from Harvard University. He also serves as the non-executive director of several companies spanning digital transformation software through green energy.

References

1. O'Reilly 3rd, C.A. and Tushman, M.L. (2004). The Ambidextrous Organization. *Harvard Business Review*, 82(4), p.74.
2. Sidhu, I. (2010). *Doing Both: Capturing Today's Profit and Driving Tomorrow's Growth*. FT Press.
3. www.mcdonalds.com
4. Wright, S. ed., (2014). *Competitive Intelligence, Analysis and Strategy: Creating organisational agility*. Routledge.
5. Thietart, R.A. and Forgues, B. (2011). Complexity Science and Organization. *The Sage Handbook of Complexity and Management*, pp.53-64.
6. Zollo, M. and Winter, S.G. (2002). Deliberate Learning and the Evolution of Dynamic Capabilities. *Organization Science*, 13(3), pp.339-351.
7. <http://www.huawei.com/en/about-huawei/corporate-info/annual-report/annual-report-2011/LetterfromtheCEO/> Accessed 4th April 2013.
8. <http://www.huawei.com/en/about-huawei/corporate-info/annual-report/annual-report-2011/LetterfromtheCEO/> Accessed 4th April 2013.
9. Trevor, J. & Stiles, P. (2007). GHRRA Case Study Report, Rolls Royce Plc., Cambridge University
10. Cohen, W.M. and Levinthal, D.A.(1990). Absorptive Capacity: A New Perspective on Learning and Innovation. *Administrative Science Quarterly*, pp.128-152.
11. <https://www.fastcompany.com/3069200/heres-what-facebook-discovered-from-its-internal-research-on-employee-happiness>
12. <https://newsroom.fb.com/company-info/>

5th - 6th June 2019

ExCel London

wobi.com/wbf-london

World
Business
Forum



The world's most important
gathering of senior executives

Welcome to the
exponential age

Michael Porter
STRATEGY

Simon Sinek
LEADERSHIP

Randi Zuckerberg
DIGITAL
TRANSFORMATION

Gary Hamel
INNOVATION

Dambisa Moyo
ECONOMY

Marcus Buckingham
TALENT

Susan David
PERFORMANCE

Martin Lindstrom
MARKETING

Stephen M.R. Covey
TRUST



020 3890 6720

info.uk@wobi.com

Communication Partner:

Media Partners:



Hill+Knowlton
Strategies

CITYA.M.

**The European
Business Review**
empowering communication globally

THE
EUROPEAN

BOGOTA • LIMA • **LONDON** • MADRID • MEXICO • MILAN • NEW YORK • SYDNEY

WOB



How can Organisations Manage their Reputations in Response to Threats?

BY WILLIAM S. HARVEY, JONATHAN V. BEAVERSTOCK AND HONGQIN LI

In the face of danger, every individual is designed to react almost subconsciously and when it counts, defend themselves. This stays true in the case of threatened organisations. In this article, the authors name three kinds of responses and their corresponding solutions.

Existing organisations will already have a reputation among different groups such as their customers and employees. But how can they manage their reputations when confronted with a major threat such as political or economic change, or competitors tarnishing the image of their industry? We conducted two waves of interviews with partners of executive search firms to find out how they coped with common threats.

Common threats are not exclusively reputation threats nor particular to a single individual or organisation. They are either common to a single or multiple sectors. Such threats are everywhere as we are witnessing the UK's future relationship with the European Union and how this breeds uncertainty among the business community.

In our study, we found that executive search firms faced three threats: first, the global financial crisis which froze up hiring opportunities and therefore their relationship with clients and candidates. Second, problems with the sector's status because of new entrants participating in poor hiring practices which tarnished the image of the sector. Third, the proliferation of social media websites which took away work from their core candidate search business.

We asked partners of executive search firms to explain how they were responding to the above threats. We found there were three interrelated types of responses. First, *functional* responses which included diversifying their services. Many executive search firms started offering other services related to but beyond their core business of search, for instance in leadership development, succession planning and consulting, to overcome the shortfall in other areas of work. Surprisingly, firms found that their clients were supportive because of their deeply embedded relationships in other areas of business.

Second, because of the intangible nature of much executive search work, many firms further highlighted their *symbolic* status. For example, the location and furnishings of their offices, their use of imagery through photographs and paintings, as well as their proximity to clients were all deliberate

Common threats are not exclusively reputation threats nor particular to a single individual or organisation. They are either common to a single or multiple sectors.



approaches to portray their high status. This served the purpose of trying to move upstream in the business and to emphasise how they were distinct from their lower status competitors.

Third, *individual* responses which included partners working closely with informal contacts and managing their personal reputations to establish long-term connections and winning new and retaining existing work. While the business of client and candidate relationships is important for all professional service firms, we found that during these ongoing threats, actively managing the rolodex became a way for partners of these executive search firms to reforge these relationships. Because partners were carefully managing their relationships, we found there was a close relationship between their individual reputation and their organisation's reputation. The partner played a key role in starting or rekindling a relationship, but the wider team was important for winning and managing the work, both of which impacted on how the organisation was perceived.


What can other types of organisations learn about how to manage their reputations based on the threats and responses of executive search firms? We use the idiom of 'keep up with the Joneses' to explain what we found was effective or not. We did not find support for 'keeping up with the Joneses' – organisations trying to improve their activities to the same standard to keep pace with their competitors because they did not want to remain in the same pack as their competitors. We also did not find evidence of 'teaming up with the Joneses' – working with competitors to protect the sector's reputation.

However, we did find support for organisations trying to 'move away from the Joneses' to show they were doing very different activities to what they were doing previously, meaning that they were no longer comparable to their former competitors. This involved a set of elite firms doing similar activities to each other (moving closer), but a distinct set of activities from their mid-tier counterparts (moving away).

Finally, we found evidence of 'networking more than the Joneses' where firms rely on informal communication channels to convince clients about the value of their work. We also found support, which has been argued elsewhere in the literature of 'fencing out the Joneses', which is demonstrating

how organisations are distinct from the poor behaviours of competing firms.

In summary, we argue that there are many threats that organisations can face. With constant change on the business horizon, this can create new opportunities for new entrants, but also uncertainty for clients. In such contexts, it is important for organisations to evidence reputation to reassure and send positive signals to clients that they are trustworthy and credible in relation to their competitors.

We suggest that moving away from the Joneses, fencing out the Joneses and networking more than the Joneses are three practical steps that organisations can take to increase engagement, trust and legitimacy, and to manage their reputations. 

This article is based on a peer-reviewed article published in the British Journal of Management. The full paper is available here: <https://onlinelibrary.wiley.com/doi/10.1111/1467-8551.12312> ; and a short video summary is available here <https://www.youtube.com/watch?v=IzjwDorbeGU>

About the Authors



William S. Harvey is Professor of Management and Associate Dean of Research at the University of Exeter Business School. Will researches on reputation and leadership within organisations. His work has appeared in world leading journals such as *Harvard Business Review*, *Journal of Management Studies* and *Human Relations*.



Jonathan V. Beaverstock is Professor of International Management and Head of the School of Management at the University of Bristol, U.K.. He is an expert on the internationalisation strategies of global retained executive search firms and has also worked extensively on the competitiveness of financial and professional services in the City of London.



Hongqin Li is a Research Fellow at the Centre for Research in Ethnic Minority Entrepreneurship (CREME), Aston University. She completed her PhD in leadership at University of Exeter Business School. Her research focuses on entrepreneurship, leadership, reputation and identity, and will be particularly focused on the leadership role in migrant entrepreneurial settings.



it is important for organisations to evidence reputation to reassure and send positive signals to clients that they are trustworthy and credible in relation to their competitors.


 A photograph of two men in a warehouse. They are both wearing yellow hard hats and light blue shirts. The man on the left is pointing at a tablet held by the man on the right. They are standing in an aisle between tall metal shelving units filled with cardboard boxes. The lighting is industrial, with overhead fluorescent lights.

Buying Market Share WITH SUPPLY CHAIN

BY RICHARD MARKOFF AND RALF W. SEIFERT

In an effort to meet customer demands and gain greater market share, companies offer non-monetary benefits in supply chain services as a replacement for price rebates. These often take the form of high delivery frequencies, small order multiples, direct-to-store deliveries and customised shipping conditions. Such dynamic is usually understood by Cost-To-Serve approach, an application of Activity Based Costing. Authors Richard Markoff and Ralf W. Seifert discuss such supply chain idea that is rarely applied sustainably despite being so intuitive and having clear benefits.

Every supply chain executive has had the frustrating experience of witnessing inefficient practices in their fulfillment operations. One of ours was during a tour of a consumer product manufacturers' distribution centre. Workers were carefully taking products that were shrink-wrapped by three, cutting off the plastic film, putting

two units in a box and returning the third unit to storage. The Distribution Centre manager, when asked about this seemingly slightly-dangerous and low-added value task, explained that their biggest customer had requested an order minimum of two units for this product, even though it arrived from the factory shrink-wrapped by three units. Later, upon arriving at the order preparation area, the floor was filled with pallets having only a few boxes on each pallet. Here the manager sheepishly explained that another big customer had requested that each pallet only contain one type of product, despite the wasteful effort and space it required. These were promises made by the sales force without consulting him, and his operating costs were spiraling as a result.

Simple, Intuitive and Hard

This story is a common one. In an effort to please customers, commercial teams offer non-monetary benefits in supply chain services as a replacement for price rebates. These often take the

form of high delivery frequencies, small order multiples, direct-to-store deliveries and customised shipping conditions. Another manifestation may be allowing a customer to engage in inefficient operations practices such as manual ordering rather than EDI, suboptimal delivery slotting, excessive claims or tailored product offerings.

The most well known approach to try to understand and address this dynamic is Cost-To-Serve.¹ At its core, Cost-To-Serve is an application of Activity Based Costing. A company would look at its fulfillment processes from reception, put-away, storage, order treatment, order picking, shipping and eventual returns. Activity keys are selected for each step, for example orders and order lines for order treatment, or pallets and weights for shipping, as a means of breaking down each step into granular activities and their associated costs. Each customer can then be evaluated by tallying up the activities executed on their behalf and the costs this generates. The total is the Cost-To-Serve for that customer.

Cost-To-Serve is one of those supply chain ideas that is so intuitive and with benefits so clear, yet in speaking to supply chain executives we have seen that in fact it is rarely applied in a sustainable, repeatable way.

Cost-To-Serve is one of those supply chain ideas that is so intuitive and with benefits so clear, yet in speaking to supply chain executives we have seen that in fact it is rarely applied in a sustainable, repeatable way.

The first hurdle to Cost-To-Serve – as is the case for many analytical approaches – is in securing reliable, clean data from which to start the analysis. The basic required data of number of orders, order lines, units per line, type of picking and shipment type and cost seem reasonable enough. Yet one partner at a major supply chain consulting company told us that even in mature, large companies that have invested extensively in ERP getting satisfactory data sets is difficult, and almost impossible to do so repeatably. One key reason is the multitude of sources required for the source data: WMS (Warehouse Management System), CRM (Customer Relationship Management), and TMS (Transportation Management System) to name a few. These are often discrete applications in a larger ERP footprint.

From there, managerial questions can bog down a Cost-To-Serve initiative. Disagreements can arise about what data to include as supply chain costs, for example the value of returned goods, or what activity key truly drives the cost of a given task. Some companies use a notion of “logistics rebate” in place to capture the difference in fulfillment costs with different consumers. The idea is that the more the cost to serve a customer is optimised, the higher the rebate offered to the customer. We spoke to one consumer goods market leader who adds the logistics rebate to their internal supply chain costs, reasoning that lost revenue due to the rebate is an equivalent to logistics cost avoided, thanks to more efficient internal operations. However, our impression is that this company’s sophistication in implementing the logistics rebate is an exception, and that most companies have allowed the logistics rebate to be polluted by other commercial variables and no longer reflects the true Cost-To-Serve.

There is a temptation to try to resolve this by implementing dedicated Cost-To-Serve tools, but that does not address these issues, or the need for buy-in from senior management to change underlying behaviours. However, when Cost-To-Serve is part of a larger effort to capture the full cost of doing business with a customer, including other expenses like trade and merchandising, these friction points can be avoided.²

In one egregious example of the need for senior management sponsorship, we spoke to one company that was incurring elevated handling and transportation costs to deliver promotional displays to large retail accounts direct-to-store rather than through the usual customer Distribution Centre. After much investigation, the supply chain manager discovered that it was the Marketing team that insisted on the direct deliveries. The later shipping dates allowed Marketing more time to define the promotional materials, and they were not concerned with the associated supplemental supply chain costs of direct-to-store-deliveries. Senior management intervention is often needed to resolve cross-functional situations like this that are exposed by cost-to-serve analyses.

Even supplemental supply chain costs that appear to be worth their value can in fact be wasted spending when the full downstream supply chain is considered. In one example, a company expedited deliveries of a critical product launch directly to each store, only to discover a month later that most of the stores took up to three weeks to actually put the products on the shelves and start selling them. Needless to say that such practices greatly undermine the success of the marketing campaign supporting the product launch despite the expediting charges incurred.

Folding Cost-To-Serve into a broader managerial analysis can help overcome potential obstacles. Looking back to our opening example, many supply chain cost drivers can be explained by the sales force promising services without bearing accountability for the costs they generate. Once these services are in place, it is a sensitive negotiation to return to the customer and try to claw them back. A full customer P&L approach, of which Cost-To-Serve is just one element, can help mobilise management to address the root causes of supply chain inefficiencies. The supply chain consulting partner we spoke to echoes this view. “The tradeoffs between distribution efficiency and commercial costs are difficult to quantify. On top of that, the impacts of changes are hard to simulate in terms of changes to the Distribution Centre footprint, transportation costs or in the case of omni-channel, the amount of returns.”

These challenges were confirmed by the head of the Cost-To-Serve initiative for another consumer goods company. This company is experiencing difficulty rolling out a sustained

Europe-wide program. “We’ve only had success where there was a passionate champion for the project. But there is too much turnover in the supply chain and on the business side to maintain the analytics, much less get to root causes and remedies.”

Omni-Channel Impacts

However, he offered the insight that omni-channel risks to be an inflection point for Cost-To-Serve. “The rise of omni-channel changes the order portfolio, driving up costs and complexity. We are being challenged to explain the increased costs just as senior management is trying to determine the true profitability of our omni-channel business.” Perhaps the advent of omni-channel will drive a willingness to push cost-to-serve efforts forward.

Countering that positive view of the influence of omni-channel, the supply chain consulting partner has found that omni-channel’s impacts are more negative. “With many of our clients, omni-channel is not a choice so we have to ‘go’ anyway, and prioritise implementing and execution. It’s a logic of desperation as much as it is of strategy.”

Even the champions are feeling the pressure of execution costs. Amazon just announced, for the first time, that the cost of Amazon Prime will increase by 20% due to shipping costs. In fact, in the first quarter of 2018, Amazon’s shipping costs as a percentage of sales increased 260 basis points, helping to explain their first-ever increase in Prime membership rates.³ Yamato, the Japanese logistics company supporting

Amazon in Japan, has announced its first shipping rate increase in 27 years, in large part due to the complexities brought on by the rapid rise of omni-channel sales.⁴

Walmart has apparently begun to take action on this front. In August of this year some shoppers on Walmart.com have been informed that a product is “out of stock” if the consumer lives so far from a Walmart Distribution Center that the retailer has determined the order is insufficiently profitable to fulfill due to transport costs.⁵ Perhaps this is a sign that the priorities of omni-channel are evolving.

Takeaway

The basics can be hard to do, and Cost-To-Serve would seem to be a fundamental, essential practice. But the realities of extracting data, complex ERP and management commitment can impede even the most foundational analysis. “Going digital” with Supply Chain 4.0 tools will not help this old-school problem. The solution lies in disciplined application of data management along with clear sponsorship from senior management to address the identified root causes of supply chain inefficiencies, ideally including those downstream.

The increasing cost pressures being brought to bear by the desire to meet the expectations of omni-channel may force companies to look at their operations differently, and generate a readiness to call into question these business drivers. If the supply chain is truly to be an element in the formation and implementation of business strategy,

then only analyses done through the lens of business practices can lead to true understanding of the underlying root causes of cost drivers and paths to improvement. **BR**

About the Authors



Richard Markoff has worked in supply chain for L’Oréal for 22 years, in Canada, the U.S. and France, spanning the entire value chain from manufacturing to customer collaboration. He is currently a supply chain coach, consultant, researcher and lecturer.



Ralf Seifert is Professor of Technology & Operations Management at the College of Management of Technology at EPFL. He also serves as Professor of Operations Management at IMD business school in Lausanne, Switzerland, where he directs the Digital Supply Chain Management programme.

References

1. Seifert R. W. and R. Markoff. (2018 August). “The Hidden Cost of Cost-to-Serve,” IMD – Tomorrow’s Challenges, No. 26.
2. Freeman, Blair, et al. (2000). “Managing your cost-to-serve.” *Supply Chain Forum: An International Journal*. Vol. 1. No. 1. Taylor & Francis.
3. Andrew Ross Sorkin. (2018 April 27). “How Shipping Costs Have Put Amazon in a Bind: DealBook Briefing”. New York Times. <https://www.nytimes.com/2018/04/27/business/dealbook/angela-merkel-trump.html>
4. Makoto Nakanishi. (2017 March 16). “Logistics giant emerges as unexpected savior for central bank”. <https://asia.nikkei.com/Economy/Logistics-giant-emerges-as-unexpected-savior-for-central-bank>
5. Sarah Nassauer. (2018 August 31). “Why Walmart Shoppers Are Finding More Items ‘Out Of Stock’”. Wall Street Journal. <https://www.wsj.com/articles/why-walmart-shoppers-are-finding-more-items-out-of-stock-1535716801>

If the supply chain is truly to be an element in the formation and implementation of business strategy, then **only analyses done through the lens of business practices can lead to true understanding of the underlying root causes of cost drivers and paths to improvement.**



THE BRAND-BUILDING CANVAS:

How to Build a Business and a Brand in One Go

BY KLAUS HEINE

Most entrepreneurs today do not just wish to make money, but also aim to serve a good purpose. They combine self-discovery with business-modelling and brand-building, but struggle to exploit the full spectrum and true potential of symbolic brand benefits. This article will help businesspeople combine these tasks as the author outlines the Brand-Building Canvas, explains why and how to use it, and briefly describes each of the brand-building elements.

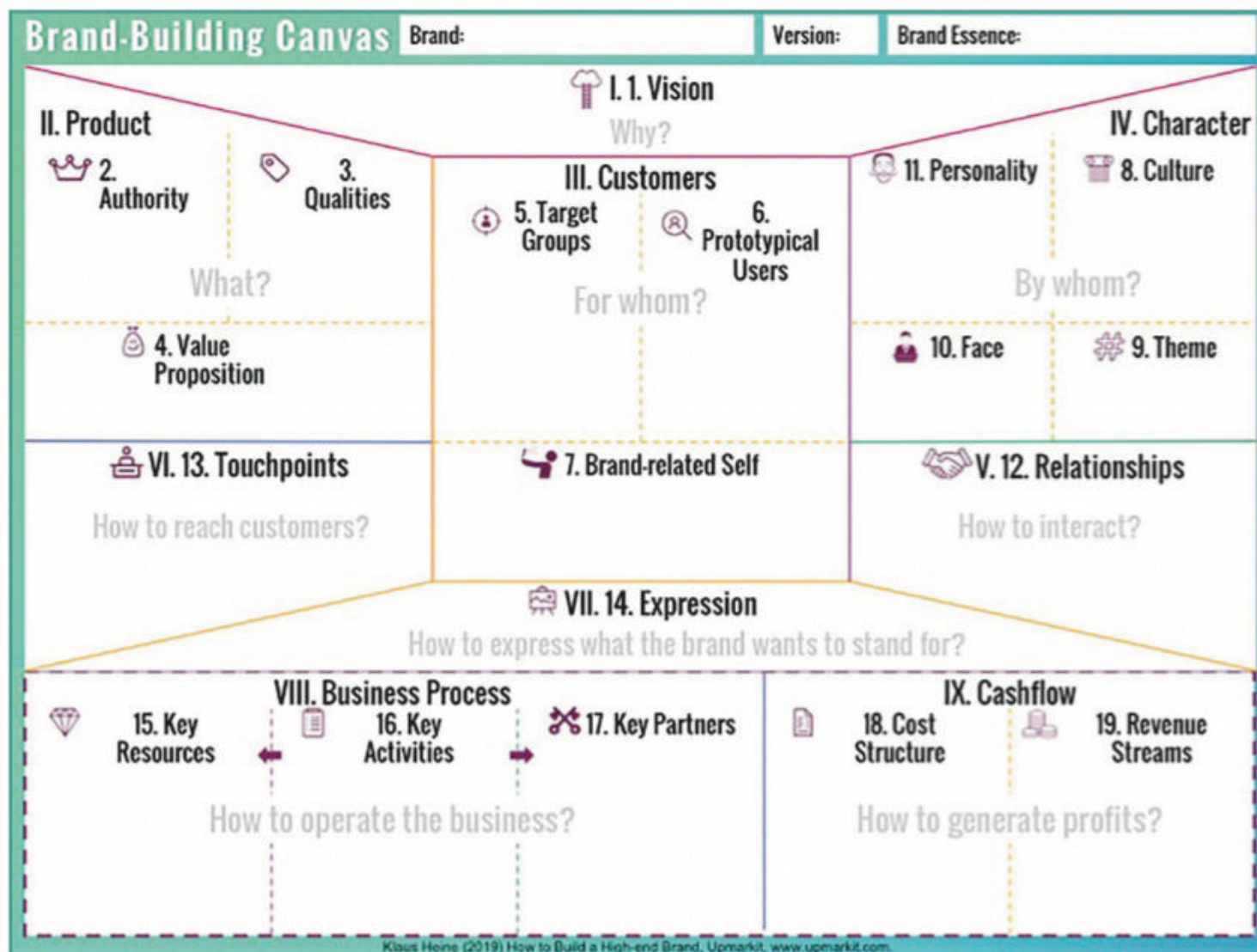
As a professor in luxury marketing at emlyon business school, I concentrate on how to build luxury brands for many years. There is no other segment in which symbolic consumer benefits play a greater role than for luxury brands.

A big part of the brand-building process deals with the creation of 'meaning'. Building a (luxury) brand is about developing brand identity.

A big part of the brand-building process deals with the creation of 'meaning'. Building a (luxury) brand is about developing brand identity. To find out what you want your brand to stand for, you can make use of a brand identity planning model that provides an overview about what brand elements should be considered and how they will inter-relate. However, there exist surprisingly few alternative brand identity models (e.g. by Aaker, 1997; De Chernatony, 1999; Esch 2008; Kapferer 2012). The existing models miss some aspects and do not allow to cover the full spectrum of brand meaning. There are some important components missing in some models (e.g. brand vision). As most commonly used models were created decades ago, they do not account for the tremendous changes in marketing and branding caused by digitalisation. In addition, they only focus on brand-building, although there is much overlap between the tasks of brand-building and business-modelling.

The Business Model Canvas by Osterwalder and Pigneur (2014) is a very useful tool to think through business ideas. But entrepreneurs never just create a business – they always need to create a brand at the same time. Even more today, the symbolic meaning, brand's purpose, and story are not just a nice add-on, but in many cases, the central idea of a new business. Building a business also means building a brand. From the customer's point of view, a brand is not distinct from the business – they are ONE. Therefore, the Business Model Canvas was combined with a new brand identity framework into the Brand-Building Canvas (see Figure 1; Heine, 2019). It includes new brand elements and covers all aspects in the





Business Model Canvas and the major brand identity frameworks. Therefore, it can be used to analyse and develop a business model and a brand's identity. Blocks VIII (Business Process) and IX (Cashflow) are only relevant for business modeling (see Osterwalder and Pigneur, 2014).

If you focus on brand-building, you need to consider only the first seven blocks of the Brand-Building Canvas. They are arranged simply as follows: the Vision is on top (block I); the Product (business idea) is the starting point (block II); the Customers are in the centre of attention (block III); it follows the Brand Character that tells the meaning behind the product on the left (block IV); Relationships describe the mode of conduct between the brand (IV) and the customers (III) (block V); Touchpoints connect the products (II) with the customers (III) (block VI) – and all this is symbolised by Brand Expressions, placed at the bottom (block VII). Some blocks are further

divided into additional brand-building elements. In total, the template consists of 14 components, which are briefly introduced below.

Block I: Vision

Similar to a great dream, a vision is a picture of the preferred future of a brand, but also of the future of society and the subculture or industry in which the brand operates. As part of the vision, the brand purpose outlines a brand's fundamental reason for existence and how it aims to make the world a better place. As a brand's overarching guiding idea, the vision shapes a brand's identity and influences all other aspects of marketing and branding. Therefore, it must be part of the brand identity (but is not included in most major models). In addition, it makes no sense to class the vision as a subcategory of another brand identity element (e.g. part of 'Brand Tonality' by Esch, 2017), but it should be placed on top of the brand identity model.



Entrepreneurs never just create a business – they always need to create a brand at the same time. Even more today, the symbolic meaning, brand's purpose, and story are not just a nice add-on, but in many cases, the central idea of a new business.

Block II: Product

Product-related associations are a major component of brand image (Keller, 2003). As most important components of brand image play the biggest role in shaping people's opinion about a brand, they should be included in brand identity planning. Whatever is unimportant in shaping brand attitudes does not need to be considered in the development of brand identity. This brand-building block refers to the products and product characteristics you want potential customers to associate with your brand.

Block II.2: Brand Authority: If consumers are interested in a product category, they generally have some ideas about what brands they believe to be the quality leaders. And when they think about a certain brand, they ask themselves: What is this brand really good at? This brand identity element covers the 'product scope', 'product uses', and 'competencies' that you want your brand to be known for (Aaker, 2010; Kapferer, 2012).

Block II.3: Brand Qualities: Brand qualities cover the attributes and benefits that a brand wishes customers to associate with its products. What you would like your brand to represent may also depend on (1) your customer's product evaluation criteria and (2) the product characteristics of your competitors. Brand qualities provide the basis for positioning.

Block II.4: Value Proposition: The value proposition outlines the most convincing reasons (key benefits) why target customers should purchase a particular brand/product. To differentiate from competitors, you can try, over time, to make your brand known for products that fulfil a specific key benefit. The value proposition is something each of your employees and customers should know about – therefore, it must be part of the brand identity.

Block III: Customers

When asked about their opinion about a certain brand, people often immediately describe the typical

customer they have in mind (Keller, 2003). As a typical component of brand image, it must also be a major brand identity element.

Block III.5: Target Groups: Ideally, target customers refer to a specific niche segment. They are often not the same people who you want your customers to think would buy your products, but they are still part of the brand identity for these two reasons: First, thinking about a brand's prototypical users without specifying its target customers beforehand almost always leads to confusion. Second, brand identity does not only refer to what you want customers to think about your brand, but also what you want your brand to be. Apart from segments that are unattractive in terms of economic criteria (e.g. purchasing power), you may want to stay away from customers who do not fit to your brand (vision, values, etc.).

Block III.6: Prototypical Users: This brand identity element describes the typical users who you want your customers to associate with your brand. A brand's 'prototypical user image' refers to consumer perceptions about the users or buyers who seem to be addressed by the brand. Depending on their opinion about these perceived users (if actual clients or not), people more or less like or dislike this brand. Because this has a great impact on their business success, brands aim to influence their prototypical user image through brand communications. Porsche portrays in adverts men who are as young and dynamic as their actual 60+ customers would like to be again. The prototypical user represents the ideal (social) self of your core target customers – the person they would like to be.

Block III.7: Brand-related Self: The 'brand-related (desired) self' describes what you want your customers to feel and think to become when using your brand/products (Kapferer, 2012). Dove clients may feel being more beautiful and confident when using their creams. Connecting your brands/



Connecting your brands/products with the life goals and desired self of your customers means that they can be used by your customers as means to achieve a higher end: **to feel living their desired lifestyle and to become 'who they really want to be.'**



Big brands advertising at London Piccadilly

products with the life goals and desired self of your customers means that they can be used by your customers as means to achieve a higher end: to feel living their desired lifestyle and to become ‘who they really want to be.’ This brand element can help your brand to play an important role in the lives of your customers and can help you to connect your customers to a higher purpose (beyond the self), to achieve even ‘irrational loyalty’ (Tait, 2013).

Block IV: Brand Character

This is the core identity that characterises the ‘who’ behind a brand (also called ‘brand tonality’ by Esch, 2012). Given that consumers find it increasingly important to know who's behind a brand, this brand-building block provides a key source for creating (symbolic) consumer benefits.

Block IV.8: Brand Culture: Every group of people develops a common subculture over time – and everybody is part of a culture or of different subcultures. So everybody does not only have a personal, but also a cultural identity. This should be reflected in the brand identity framework by having both: brand personality and brand culture. Facets of brand culture include place of origin, brand nationality, brand spirit, brand values, brand principles, and brand lifestyle. When you associate your brand with a subculture, you create brand meaning and inspiration. For instance,

Every group of people develops a common subculture over time – and everybody is part of a culture or of different subcultures. So everybody does not only have a personal, but also a cultural identity.

Ralph Lauren represents American aristocracy and Boston high society and WeSC (fashion) is rooted in skate-boarding. Brand culture creates the frame for brand personality.

Block IV.9: Brand Theme: Brands are constantly driven today to create new (social media) content to grow traffic and sales. But many brands just add noise by creating content for content's sake. A brand theme is particularly useful to provide direction and meaning to a brand's (social media) content marketing that it should be included in the brand identity model. It is an overarching idea that provides the foundation of your brand's content strategy over the long term and can inspire the design of your marketing-mix instruments (posts, websites, adverts, events, stores, etc.). For Louis Vuitton, for instance, ‘travel’ has been a major inspiration since the brand's beginnings in the 1800s.

Block IV.10: Public Face: When asked what they know about a certain brand, consumers typically come up also with people-related aspects, about the brand's founders, owners, managers, designers, and other representatives. This brand identity element describes who is behind a brand. For instance, for many consumers it makes a difference whether this is a family business or some multinational corporate group. Given the desire of many people to establish trustworthy (business) relationships with real people, brands need to think about who they want their customers to see as the face of their brand. Many fashion designers or star chefs become the face of their business and develop into personal brands. However, every brand should cultivate at least one powerful personal brand from within the company.

Block IV.11: Brand Personality: Brand personality is so well-established and important for brand-building that it is included in all major identity models. A brand's personality is often described by only a few personality traits such as decent, cheerful, or honest. To create a more meaningful, inspiring, and consistent brand, you can employ personality-driven branding strategies: (1) Describe your brand personality in sufficient detail to evoke a metaphoric mental picture about the person you want your brand to represent; do not just rely on personality traits, but also include demographics, life goals, motives, reference groups, etc.; (2) Imagine your brand to be a real person and keep her/him in

The process of identity planning works like a structured creativity technique that delivers the creative input for brand design. A meaningful, inspiring, and consistent brand design is an expression of the great deal of thought and effort spent on the conceptual work.

mind for all type of branding decisions (about the design of a website, store, etc.).

Block V.12: Brand Relationships


This brand element is considered in most of the major brand identity frameworks (by Aaker (2010) and Esch (2017) as a subcategory of brand personality). The brand relationship block describes the mode of conduct and operation that a brand aims to establish with its target customers and other stakeholders. They impact the way a brand behaves, delivers services, and communicates with its clients. Companies like Uber created competitive advantages by disrupting the established relational roles in their industry (from driver/passenger to entrepreneur/supporter).

Block VI.13: Brand Touchpoints

Touchpoints generally refer to the principal stages customers pass through in their interaction with a brand. When people think about a brand, they also associate typical communication and distribution touchpoints with the brand (Keller, 2003). Therefore, touchpoints should also be considered in brand-building as a component of brand identity. Brand touchpoints describe for what type interaction and marketing channels a brand wants to be known for. For instance, to become an internationally renowned luxury house, brands need to develop concept stores in prestigious shopping streets such as Avenue Montaigne in Paris.

Block VII.14: Brand Expression

When you know what your brand should stand for, it is time to think about how to express that to its target groups (also referred to as 'brand as a symbol' by Aaker, 2010). For instance, Louis Vuitton uses the Monogram Canvas pattern to express its heritage and elegance (Esch, 2017). A brand's identity can be expressed by brand

design, communication, and behaviour. Brand design alone is a broad field of work including, for instance, the brand logo, layout, colors, and typography. Many companies still instruct an agency to develop their website without thinking first about what they actually want their brand to stand for. And many agencies still start with the brand design before laying the conceptual groundwork. The process of identity planning works like a structured creativity technique that delivers the creative input for brand design. A meaningful, inspiring, and consistent brand design is an expression of the great deal of thought and effort spent on the conceptual work. 

About the Author



Klaus Heine is Associate Professor of Luxury Marketing at emlyon business school, Asia and Co-Director of the High-end Brand Management Master Program at Asia Europe Business School in Shanghai. He holds a PhD from TU Berlin and specialises in high-end brand-building with applied-oriented research, education and practical projects with both, leading luxury brands and start-ups.

References

1. Aaker, D.A. (2010), *Building Strong Brands*, London, Simon & Schuster.
2. De Chernatony, L. (1999), Brand Management Through Narrowing the Gap Between Brand Identity and Brand Reputation. *Journal of Marketing Management*, Vol. 15: 157-179.
3. Esch, F.-R. (2017), *Strategie und Technik der Markenführung*, 9th ed., Munich, Vahlen.
4. Heine, K. (2019) *How to Build a High-end Brand*. Upmarkit: Tallinn, <https://upmarkit.com/brand-building-workbooks/how-to-build-a-high-end-brand>
5. Kapferer, J.N. (2012), *The New Strategic Brand Management*, 4th ed., London, Kogan Page.
6. Keller, K. L. (2012). *Strategic Brand Management*, Pearson: Edinburgh Gate, England.
7. Tait, B. (2013). The Mythic Status Brand Model: Blending Brain Science and Mythology to Create a New Brand Strategy Tool. *Journal of Brand Strategy* 1(4), 377-388.



The brand relationship block describes the mode of conduct and operation that a brand aims to establish with its target customers and other stakeholders.

DIGITAL PARTNERSHIP STRATEGIES REVEALED

BY STIJN VIAENE

Going for partnerships as a strategic option for driving business growth implies adopting a certain mindset: a perspective you take on the relationship between you and other economic actors for creating and capturing value.

Strategic partnerships are not new, but their importance has grown immensely in the digital space. In 2017, McKinsey reported on interviewing 300 CEOs worldwide, across 37 sectors, about digital transformation. One striking observation was that more than 30% of them had cross-industry dynamics top of mind. Many worried that companies from other industries had a clearer insight into their customers than they did.¹

So, why not partner up? Digital partnerships are active collaborations between organisations aimed at capitalising on new digital opportunities.

The reality is that no one organisation possesses all the data, digital skills and capabilities to win over today's demanding and dynamic digital customer. Competition has become a team sport in the digital age. Moreover, your innovation strength as an organisation is limited by your ability to combine your digital assets with those of others²

Digital innovation is essentially combinatorial in nature.³ Simply put: You bring your digital assets, I bring mine – and by combining them we can create

great new value propositions and business models. Of course, it's never that simple, but that's basically the digital opportunity out there. In other words, what will be key for strategising about digital opportunities is going beyond the traditional analysis of knowing your customer and knowing your competition, to also getting to know your partners.

PARTNERSHIP MINDSET

Going for partnerships as a strategic option for driving business growth implies adopting a certain mindset: a perspective you take on the relationship between you and other economic actors for creating and capturing value.

Today, all suppliers will claim that they are your business partners. The truth is that only some are “partner-able”. Ask them how future-proof they think your business model is, and how they can make a difference. You'd be surprised (or maybe not) on how many so-called partners even fail to articulate your business model.

Partnering requires a focus on the other and shared objectives. The basic business hypothesis is that you win together, and not just by yourself. Partnering implies thinking collaboration and cocreation, instead of just transacting. It implies aiming for long-term win-win scenarios, rather than short-term flings. Partners are willing to share the proceeds of winning.



Digital partnerships are active collaborations between organisations aimed at capitalising on **new digital opportunities**.



Partnering requires a focus on the other and shared objectives. The basic business hypothesis is that you win together, and not just by yourself.

They also commit to sharing efforts and risks. That often implies a major commitment to change.

Strategising about digital partnerships benefits from using business ecosystems as a unit of analysis for strategic thinking. Legenvre and Herbert (2017),⁴ for example, provide a practical method for mapping and strategising across business ecosystems. The idea now is to look for competitive strategic options that involve “aligning a multilateral set of partners that need to interact in order for a focal⁵ value proposition to materialise”,⁶ such that their strengths and interactions determine joint prosperity and growth.

FOUR PARTNERSHIP STRATEGIES

There are at least four digital partnership strategies for you to consider. The first one takes a B2B (supply chain) stance. The other three represent a wider lens.

Supplier-partner

A first partnership strategy entails upgrading an existing supplier relationship. In this case, making the most out of this relationship requires a supplier to take a digital detour via its customer's customer.

Think of an equipment parts supplier, whose relationship with its customer is under stress due to the availability of lower-cost alternatives. To tighten the relationship with its customer, the supplier can add sensors, connectivity and intelligence to its parts, making them smart and connected. This allows him to extend his customer value proposition with features like remote monitoring, control and upgrade. He can then intervene in preventive or predictive mode. Those are value-added services.

Now, here's the real money-maker: Imagine all the things the supplier could learn about his customer's customer from the data generated by his parts – in order to help his customer, of course. He may also be able to learn about the customer of his customer's customer, or about that customer's customer. In fact, with a fully digitalised supply chain, the supplier could go all the way down the chain and learn about the end customer. Moreover, in today's increasingly smart and

connected digital economy, there are almost certainly other digital pathways beyond the current supply chain for suppliers to get their hands on (big) data and interesting learnings about their customer's customer.

Feeding these learnings back into the supplier-customer relationship, with a view to helping that customer grow and innovate, can pay significant partnership dividends. Your benefits as a supplier will come in the form of increased customer loyalty, upselling opportunities and protected margins. You will no longer be regarded as a mere supplier, but rather as a digital partner. This, in turn, may open the door for other digital partnership opportunities.

Clever customers will want to stimulate these digital supplier-partnerships as a means to compete. Both parties, however, will have to agree on governance of the relationship that works in favour of both, and doesn't just benefit one.

Collaborative innovation partnership

A second partnership strategy involves two or more organisations bringing together complementary digital assets with the intent to collaboratively invent and commercialise new customer solutions.

Think of a non-technology company joining forces with a digital startup to bring something new



Photo by rawpixel.com from Pexels

to the market. In this scenario, the company isn't merely funding the startup's innovation. It is actively engaging by pooling ideas, data and other digital assets with a focus on a common customer. The terms of the deal need to make sense to both partners. Risks and rewards will have to be equitably shared.

Consulting companies (such as McKinsey, Accenture and KPMG) are looking for similar schemes to capitalise on new digital opportunities, not just for, but *with* their former consulting clients. They offer to collaborate in view of leveraging their partner's digital assets for business model innovation. It is a way to help companies engaged in digital transformation monetise their data and other digital assets.

Several deals may be negotiated that go beyond traditional consulting and getting paid for supplying advice. They include, but are not limited to, royalty deals linked to the commercialisation of intellectual property and launching joint digital ventures.

In the spirit of partnership, the partners will want to organise their collaboration for the long term. That implies that they are willing to invest in managing their relation as a partnership and in systematising the required resource exchanges across their organisational boundaries.

Innovation component platform

A third strategy involves opening up a proprietary digital asset(s) as a building block(s) for easy reuse by a larger number of external innovators. The building block(s) is offered as a platform, which signals that the intent is to offer the component(s) in such a way that it provides a convenient, flexible and robust – trustworthy – foundation on top of which others can develop complementary innovations.

Think of a credit card company that makes available a proprietary credit rating service or an authentication service for practical reuse by external programmers – using application programming interfaces (APIs) packaged in an easy-to-use software development kit (SDK). These programmers can then efficiently integrate these services into, for example, mobile and social ecommerce offerings that they develop for their customers.

That's exactly what U.S. bank Capital One is aiming for with its DevExchange portal.⁷ Alongside access to a selection of APIs (such as “bank account starter” and “identity proofing”), the portal offers several SDK capabilities that aim to make the life of the



Competition has become a team sport in the digital age. Moreover, your innovation strength as an organisation is limited by your ability to combine your digital assets with those of others.

external developers as easy as possible. Its developer engagement features include self-service developer registration and instant API access, sandbox testing environments, documentation, code snippets, and reference applications with sample code.

However, a partner's focus on the other requires the platform to go beyond offering the technical features to secure plug-and-play component reuse and convenient mashup with other component sources. To be an attractive partner, innovation component platforms also need to acquire enough domain knowledge about their external innovators' intended business use of its components. For example, one would expect that its components by default comply with regulatory burdens that go with strategic use cases, or that it attracts complementary component providers who increase the platform's value (and vice versa) in the innovators' eyes.

By purposefully strategising to offer your selection of digital assets for external reuse in a convenient and versatile way, you can effectively become an innovation partner of choice in one or more business ecosystems of your choosing. Pay-per-use or subscription models are obvious monetisation options for your platform. However, more creative win-win value exchanges (involving money, goods, services, data and other intangible value) between parties are perfectly thinkable.

Partnership platform

A fourth way to exploit the digital partnership opportunity is by assuming the role of matchmaker for parties in search of digital partnerships. We speak about a partnership platform to signal that the intent is to offer a convenient, flexible and robust foundation on top of which others can develop digital partnerships.

In this scenario, you get rewarded for enabling digital partnerships – removing things like partner search costs, contracting costs, cocreation costs and other frictions that might stand in the way of

To be an attractive partner, innovation component platforms also need to acquire enough domain knowledge about their external innovators' intended business use of its components.

Arguably, the toughest challenge remains opening up to a partner. You have to feel comfortable with giving up some control. **Successful partnering requires a serious dose of trust, which needs to be created and maintained.**

creating effective partnerships. The actual services provided by the platform will depend on the type(s) of partnership it aims to enable and the extent to which it will facilitate relationships. For example, a partnership platform could be scoped to only support the search for digital partners in the context of venturing between corporates and startups to solve smart city mobility challenges. A smart city platform could as well be scoped to enable other types of partnership, possibly end-to-end, and possibly addressing more than mobility challenges.

B-Hive is an example of a European fintech⁸ platform that aims to bring together banks, insurers and market infrastructure players.⁹ Together, they work on common innovation challenges and build bridges to start/scaleup communities. B-Hive connects the dots in the fintech space in various ways; for example, by “putting Brussels on the map as the smart gateway to Europe,” by building bridges between the Eurozone and fintech hubs worldwide, and by organising players in “hives” centred around specific digital economy challenges (such as cybersecurity and API standardisation).

Interestingly, B-Hive’s founders created two complementary partnership platforms called “The Bridge” and “The Glue” – with their own business models. The former provides experience, skills and capabilities facilitating collaborative venturing between financial institutions and technology start/scaleups. The latter provides a software development platform that allows financial institutions to quickly create and deploy open banking APIs. In other words, The Glue enables

financial services players to become digital innovation component platforms.

In addition to deciding where to play, partnership platforms have to address the four fundamental strategic decisions for any multisided platform:¹⁰ which partner sides to bring on board, which partnership features to offer, which interaction governance rules to specify, and how to design equitable value exchanges between all the partners.


KEY CHALLENGES

Today, there are many digital partnership opportunities. Of course, there are also challenges.

For example, you have to learn how to use an ecosystem lens for strategising about digital partnerships. Plus, and most importantly, you need good visibility on your organisation’s digital assets in order to achieve any digital partnership ambition. In many organisations both preconditions for success are not obvious.

Arguably, the toughest challenge remains opening up to a partner. You have to feel comfortable with giving up some control. For example, you need to be fine with supplier-partners approaching your customers. These partners, however, do not report to you in the way employees or business units do. You can’t manage them in the same way. Successful partnering requires a serious dose of trust, which needs to be created and maintained.

Good partnership governance is crucial. However, it can be costly to design, agree on and maintain an interaction model that enables desirable partner behaviour and controls for unwanted action. The costs associated

with bad (or non-) governance are most certainly higher, but may remain hidden for quite some time. Of course, effectively eliminating governance costs makes the business case for digital partnership platforms. These platforms will be constantly on the lookout for digital solutions (using blockchain,¹¹ for example) that reduce the costs of managing trust among partners. 

About the Author



Stijn Viaene is a full professor and partner at Vlerick Business School in Belgium. He is the director of the school’s Digital Transformation focus area. He is also a full professor in the Decision Sciences and Information Management department at KU Leuven University in Belgium.

References

1. Atluri, V., Dietz, M. and Henke, N. (2017). Competing in a world of sectors without borders. *McKinsey Quarterly*, July.
2. Viaene, S. (2017). A digital quick-start guide. *Ivey Business Journal*, September-October.
3. Brynjolfsson, E. and McAfee, A. (2014). *The second machine age*. Publisher: W.W. Norton & Company.
4. Legenvre, H. and Herbert, I. (2017). Mapping and strategising across business ecosystems. *The European Business Review*, March-April.
5. The concept of a focal customer is the equivalent of an end customer in a supply chain, and serves to orient and scope business ecosystem mapping and strategising.
6. Adner, R. (2016). Navigating the challenges of innovation ecosystems. *MIT Sloan Management Review* – Frontiers, August.
7. See: <http://developer.capitalone.com>
8. According to <http://wikipedia.com>, fintech, a portmanteau of “financial technology,” is used to describe new technology and innovation that aims to compete with traditional financial methods in the delivery of financial services.
9. See: <http://b-hive.eu>
10. Hagiu, A. (2014). Strategic decisions for multisided platforms. *Harvard Business Review*, Winter.
11. Blockchain is a database technology that uses a mathematical structure for storing data in a way that is nearly impossible to fake. It can be used for all kinds of valuable data. For more explanation, see: <http://www.technologyreview.com/s/610833/explainer-what-is-a-blockchain/>

Lessons from Ellen MacArthur and the Circular Economy on **How Leaders can Build and Sustain Transformation?**

BY PETER HOPKINSON AND WILLIAM S. HARVEY

The growth of interest in the circular economy has been meteoric with new initiatives emerging weekly. A key figure in this movement has been Dame Ellen MacArthur, a renowned and iconic round the world yachtswoman. In this article, the authors explore how MacArthur and her foundation have created a framework for a new economy, leading to a major movement concerning global resource challenges and how the economy operates, and what business leaders can learn from her successes in building and sustaining transformation within the circular economy.

In 2012 a report was launched at the World Economic Forum (WEF) demonstrating the economic and business case for a circular economy. Five years later, a report focussing on the application of the circular economy to address a New Plastics Economy was the highest downloaded report in the history of the WEF. In October of this year over 2,000 delegates gathered in Yokohama for the second World Circular Economy Forum. The European Union second circular economy package, impacting on industrial supply chains within and beyond the region is under consideration. (see Atasu et al., 2018 in HBR).¹ Over 100 universities worldwide now feature the circular economy in one or more programmes and 17 academic journals have recently issued themed calls on the circular economy.

By any measure, the growth of interest in the circular economy has been meteoric with new initiatives emerging weekly. Business leaders are starting to embrace the term and are moving beyond symbolic support statements to exploring how to implement the circular economy, as examples from Danone, Philips, Renault (See exhibit on next page) and Ricoh testify. This presents significant short-term challenges but also long-term opportunities and rewards. (see Tse et al. 2016² and Esposito et al., 2018³ in HBR).

A key figure in this movement has been Dame Ellen MacArthur, a renowned and iconic round the world yachtswoman, who at the age of 24 completed the Vendee Globe, the world's toughest race. As the fastest person to circumnavigate the globe single-handedly, breaking the record in 2005 (age 28) her elite sporting status was assured. However, soon afterwards and finding herself in the Antarctic on a sabbatical after one especially gruelling race, she reflected on the abandoned industrial remnants of the whale oil industry.

"There were ships filling the harbours, some of which still line the shores today, and spare propellers and patterns for producing engine parts (...) This was a massive industry with thousands of tons of steelworks employing thousands of people and now it's a dead, empty space." This eventually led to her setting up the Ellen MacArthur Foundation with a mission to accelerate a transition to a circular economy.



Ellen MacArthur



The core definition of a **'circular' economy**: an economy that is restorative and regenerative by design, a phrase that has stuck and been endlessly repeated to highlight the shift from a degenerative and depletive model to one that radically shifts the way we think about resources, energy and materials in the economy.

Why is this different from many other charismatic and high achieving leaders who have established charities, foundations and done good deeds as part of an epiphany or career change? What can business leaders learn from the successes of building and sustaining transformation within the circular economy? MacArthur and her foundation have transcended a single issue focus and created a framework for a new economy, leading to a major movement concerning global resource challenges and how the economy operates.

It is one thing to identify what needs to transform, but another thing to overcome resistance to inertia. In order to fulfil its potential, both purposeful and inspirational leadership is required across every facet of business and society to persuade everyone on this planet that everything that we extract, produce and consume cannot be disposed of over time (linear economy), but must reintegrate back into our system (circular economy). How can this seismic shift in thinking and behaviour be achieved? To answer this question, we need to look at what has been achieved and how, and whether the transition can indeed be accelerated and sustained.

2008-2011. Origins

Following her Antarctica experience, MacArthur began to move away from competitive ocean

racing, and spent three years travelling the world for a different purpose: to find out more about how economies work and whether it might be possible for an economy to operate in a fundamentally different way. This meant re-thinking an economic model that extracts resources, converts them into products and services which are then consumed and either disposed or replaced with new products and services. MacArthur termed this the 'linear economy', a throughput model that relied on relatively cheap accessible resources and fossil fuel energy, mass production and consumption and little regard for the accumulation and consequences of external costs. Some of the clues were already visible in previous iterations of 'new economic thinking' such as natural capitalism and performance economy, which had attracted their own followings, but failed to gain traction with business or policy makers or scale. More significantly, MacArthur noted the rise of the 4th industrial revolution and the need to harness scientific and technology revolutions in innovations and deep insights from complexity science created new opportunities to apply systems thinking to the challenge of resource depletion and natural capital degradation.

At the outset MacArthur's message was simple – the linear economy is failing and we need a new economic model. This was not about saving the

RENAULT PLANS TO DEVELOP NEW CIRCULAR ACTIVITIES THROUGH ITS 2022 STRATEGIC PLANS



planet or an environmental agenda, but targeting a generation to think differently about the future and providing a positive alternative to a take-make-dispose model.

The core definition of a 'circular' economy was formulated during this time – an economy that is restorative and regenerative by design, a phrase that has stuck and been endlessly repeated to highlight the shift from a degenerative and depletive model to one that radically shifts the way we think about resources, energy and materials in the economy. MacArthur launched her foundation in 2010 supported by British telecom/ Cisco National Grid, Kingfisher and Renault, which built on her prior reputation, referred to in the academic literature as reputation endowment.⁴ MacArthur's sailing background created a compelling narrative around finite resources and framed as re-thinking the future economy. This was a statement of intent that this was no green or eco initiative but aiming to be on the front pages of mainstream and business global newspapers such as the *New York Times*⁵ and the *Financial Times*.⁵⁶

2011-2014. The butterfly effect

The circular economy burst into life in 2011 when the Ellen MacArthur Foundation (EMF) presented its vision to an initially sceptical McKinsey resource efficiency team. Three months later McKinsey came back and concluded that they had 'run the numbers' and could demonstrate a compelling case for an economic and business opportunity at scale. Over the next 12 months more analysis and evidence was collated and the famous butterfly diagram⁷ was created to translate the circular economy into a simple, coherent graphic to explain the sources of value creation from multiple reverse loops. The diagram formed a centre piece of a 2012 report,⁸ which was launched at the WEF with a headline figure of \$630 billion net material



saving within the European economy from shifting from a linear to a circular economy across a number of materially intensive industrial sectors. This represented 47.8% of the EU'S GDP. On the back of this event, the EMF formed their CE100 a membership group of progressive global corporates, innovation and start-ups keen to learn more and how CE worked in practice.

2014-Today. Systemic innovation and widening engagement

Two further reports (2014, 2015) featuring analytics by McKinsey provided additional evidence in support of the business case for the circular economy. This led to spectacular growth in interest with new initiatives, networks and programmes. As a small organisation, the Foundation had a philosophy of using their limited resource to create initiatives with the potential for exponential scaling. They termed this systemic innovation – applying their core principles and building blocks of a circular economy to areas of the economy with the greatest potential for impact. One of the earliest programmes from 2015 was to address the leakage of plastics from the world economy. The New Plastics Economy

In October 2018 the New Plastics Economy launched a Global Commitment "A line in the sand" at Bali to eliminate plastic waste and pollution at source. It was signed by 250+ organisations, representing 20% of all plastic packaging produced globally.

Source and Copyright: Ellen MacArthur Foundation



As a small organisation, the Foundation had a philosophy of using their limited resource to create initiatives with the potential for exponential scaling. They termed this systemic innovation – applying their core principles and building blocks of a circular economy to areas of the economy with the greatest potential for impact.

programme convened many of the world's largest brands and key players in the global plastics value to collaborate on the challenge and lead the redesign of the existing linear system to a new type of circular plastics system. An ambitious agenda, the EMF found that the partners wanted to find solutions but had been tackling these alone and lacked a systems perspective, that was crucial to aligning incentives and actions towards a common goal. The New Plastics Economy report⁹ launched at Davos in 2016 ramped up interest in the circular economy, coinciding with the surge of national media¹⁰ attention on the scale of the leakage of plastics into the world's oceans.

By 2017, the circular economy had become a well-established term in Europe with the Foundation's work playing an instrumental role in the emergence of the initial 2016 European

Union circular economy package and subsequent iterations. Academic research is now firmly established after a slow start, with over 100 Universities and other prominent businesses partnering with the EMF.¹¹ The circular economy is increasingly recognised as a key business opportunity addressing systemic challenges facing many companies and value chains. Leading companies such as Philips have set themselves targets of 15% sales from CE by 2020 and an impressive 100% by 2025.

Lessons learned and where next?

The circular economy movement has achieved major accomplishments in the last decade, which has been an outcome of four factors. First, a compelling vision of a better future, namely a transition from a linear to a circular economy that creates social and financial incentives for organisations.

GOOGLE DATA CENTRE SERVER OPERATIONS - CIRCULAR ECONOMY

PRINCIPLE

1

Preserve and enhance natural capital by controlling finite stocks and balancing renewable resource flows
ReSOLVE levers: regenerate, virtualise, exchange

PRINCIPLE

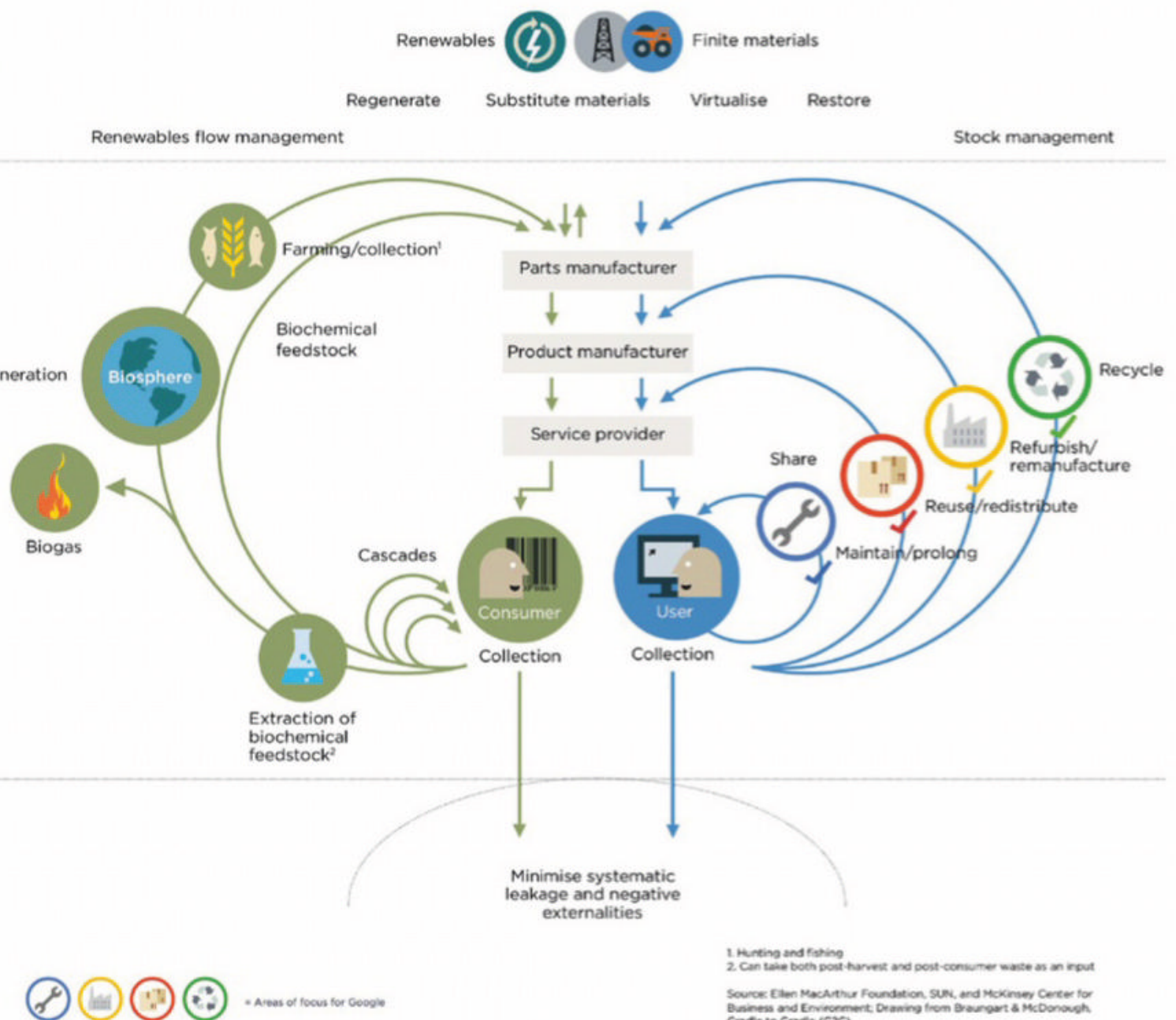
2

Optimise resource yields by circulating products, components and materials in use at the highest utility at all times in both technical and biological cycles
ReSOLVE levers: regenerate, share, optimise, loop

PRINCIPLE

3

Foster system effectiveness by revealing and designing out negative externalities
All ReSOLVE levers





In order for existing groups to support and new groups to fully participate, a movement needs to **provide a vision for the economic and social value of individual participation and the costs of non-participation.**

Second, a prominent leader who has already achieved respect and legitimacy in another field and used this to build attention around the movement. Ellen MacArthur's success as a world-record-breaking around-the-world sailor has helped her to capture the attention of others around the circular economy.

Third, partnering with key organisations to build awareness and acceptance. Ellen Macarthur's work with McKinsey and the World Economic Forum, among others, for instance such as global partners and university networks, has been important in gaining the necessary examples and evidence to give others the confidence to participate in the movement.

Fourth, providing visualisation. The EMF Butterfly diagram has provided companies such as Google, a framework for starting to think about the multiple reverse value creation loops at a practical level (See diagram on the left page). The framing and adaption of this initial diagram have been instrumental in helping wider audiences to understand and visualise what the circular economy is and why it is important. This plays a similar role to a company's brand, namely something that is recognisable and understood to hold and generate significant value.

Finally, notwithstanding the successes of the past, the next stage of any movement requires two further steps. First, it needs to be salient to a wider group of stakeholders. Thus far, the circular economy movement has been successful at engaging certain businesses, universities, and policymakers. Its success moving forward will require engagement with a much wider group of stakeholders given the systemic nature of the movement. Second and related, in order for existing groups to support and new groups to fully participate, a movement needs to provide a vision for the economic and social value of individual participation and the costs of non-participation. The media strapline in 2016 of 'more plastic than fish in the sea by 2050' is the kind of shock headline that captures public attention. However, sustaining a movement requires ongoing recognition from a wider group of actors that re-designing the economic system will provide greater value for them over time compared to the status quo. A 2018 exhibition Harvest,¹² by British artist Mella Shaw at the Saatchi Gallery, features hundreds of detailed clay 'plastic' bottles and containers and leaping fish to highlight the appalling toll discarded plastics are

taking on our marine-life, perhaps signals the next wave of the movement's wider audience engagement.

This is not a doom and gloom movement. Leaders thinking about the future of their businesses in the age of VUCA (Volatility, Uncertainty, Complexity and Ambiguity) are increasingly turning to circular economy as an alluringly feasible, attractive and attainable strategy compared to the linear model. There remain considerable challenges and obstacles to scaling initiatives and overcoming linear lock-in, but increasingly many business leaders view this transition as inevitable rather than impossible. **BR**

About the Authors



Peter Hopkinson is Director of the University Exeter Centre for Circular Economy that brings together academic researchers, business, policy makers and civic society to support the transition to a circular economy. He set up and ran the world's first MBA in circular economy and a global on-line executive education programme for leading global businesses, innovation companies and educators. He is most concerned with developing the scientific evidence base for circular economy theory and practice at varying scales and within different industrial contexts.



William S. Harvey is Professor of Management and Associate Dean of Research at the University of Exeter Business School. Will researches on reputation and leadership within organisations. His work has appeared in world leading journals such as *Harvard Business Review*, *Journal of Management Studies* and *Human Relations*.

References

1. <https://hbr.org/2018/07/rethinking-sustainability-in-light-of-the-eus-new-circular-economy-policy>
2. <https://hbr.org/2016/02/how-businesses-can-support-a-circular-economy>
3. <https://hbr.org/product/introducing-a-circular-economy-new-thinking-with-new-managerial-and-policy-implications/CMR677-PDF-ENG>
4. <http://www.oxfordhandbooks.com/view/10.1093/oxfordhb/9780199596706.001.0001/oxfordhb-9780199596706-e-19>
5. <https://www.nytimes.com/2018/09/06/business/burberry-burning-unsold-stock.html>
6. <https://www.ft.com/content/360e2524-d71a-11e8-a854-33d6f82e62f8>
7. <https://www.ellenmacarthurfoundation.org/circular-economy/infographic>
8. <https://www.ellenmacarthurfoundation.org/publications/towards-the-circular-economy-vol-1-an-economic-and-business-rationale-for-an-accelerated-transition>
9. http://www3.weforum.org/docs/WEF_The_New_Plastics_Economy.pdf
10. <https://www.theguardian.com/business/2016/jan/19/more-plastic-than-fish-in-the-sea-by-2050-warns-ellen-macarthur>
11. <https://www.ellenmacarthurfoundation.org/our-work/activities/universities/network-universities>
12. <https://www.recirculerecycling.com/mellashaw/>

21 Success Principles to Unleash the Leader in You and Achieve Greatness in Your Life

BY M.S. RAO

When it comes to success, whether in life and career, there is no one-size-fits-all formula to achieve your desired greatness. But one of the tried and tested techniques to reach optimum level of your potential is creating your own blueprint of success, which includes building your character and self-efficacy. This article will tackle the 21 bricks needed for a strong foundation of success and resiliency of one's psyche.

"Give me a lever long enough and a fulcrum on which to place it and I shall move the world." – Archimedes

Do you know what makes some people stand out from others? Do you know what habits are essential to achieve greatness in your life? Do you know why some leaders stand taller beyond their lifetime? The answer to all these questions is that they possess some unique habits and adopt unconventional approaches and practices. In fact, there is a pattern of unique habits that convert ordinary individuals into extraordinary individuals, and extraordinary individuals into inspiring individuals. When you understand and apply them, you can unlock your hidden potential to achieve

greatness in your life. Here is a distilled list of habits, tools, and techniques to help you stand out:

1 Be an Early Riser: Rise early in the morning as it is the time that the human mind is highly productive and creative with fresh thoughts. It is like starting on a clean slate. You find total tranquility and peace in the morning. You don't find any distractions; hence, you can concentrate well. It helps schedule your activities to roll out effectively as you have a fixed time at your disposal.

2 Exercise Regularly: Do exercises regularly. Invest your time to go to gym or go for a walk or do meditation. You must burn calories during your walk to energise your body. It can elevate your body with new spirits and you can fill your mind with new ideas and thoughts during exercise. A regular physical activity maintains good appetite, ensures free motion, and provides sound sleep – these three are the symptoms of good health. Invest your time on maintaining your health, because if you are healthy, you can surpass any kind of challenges in your life with flying colors.



You must visualise yourself as a successful person. It is rightly said that a battle is won twice – first in mind and second in reality. You can become the way you want to become if you visualise yourself the way you want to be.

3 Follow your Heart: Find out your passions and follow them. Unfortunately, some people follow others' passions and they fail miserably. You must find out your strengths and concerns – capitalise on your capabilities and overcome your fears to achieve big in life. Passion can take you to greater heights of success. When you work within your passionate areas, you will not know how you spent your time and life because your work doesn't become boring, rather, it becomes inspiring thus getting the best out of it. There are some people who chase money, ignoring their passions and they fail in the end. The truth is that when you follow your passion, the money will follow you automatically. The noted author and speaker, Wayne Dyer rightly remarked, "When I chased after money, I never had enough. When I got my life on purpose and focused on giving of myself and everything that arrived into my life, then I was prosperous." Remember to follow two things in your life – choose the career of your choice and marry the spouse of your choice. When you choose the right career, you will enjoy doing your work and excel professionally. When you marry the spouse of your choice, you will enjoy your personal and social life. In this way, you can enjoy your personal, professional, and social life.

4 Acquire Attitude: In twentieth century, a lot of research was done on successful people to understand what made them extraordinary achievers. It showed that the attitude was the main reason. It is your attitude that determines the altitude of your success. People can support you if you have the right attitude. Employers prefer attitude over experience during employment interviews. A person with a great attitude and without experience is often preferred over a person with a

great experience and without attitude. Remember the slogan, 'although the righteous man falls ten times, he rises, but the wicked man never falls twice'. It means God handholds the individuals with right attitude many times but He never gives second opportunity to individuals with rotten attitude.

5 Visualise Yourself: Understand the power of visualisation. Learn how to visualise success. You must visualise yourself as a successful person. It is rightly said that a battle is won twice – first in mind and second in reality. That means you will have a mental script first and then roll out the real script; hence, visualisation is the crucial thing to achieve great success. You can become the way you want to become if you visualise yourself the way you want to be. Ralph Waldo

Invest your time on maintaining your health, because if you are healthy, you can surpass any kind of challenges in your life with flying colors.



Emerson rightly quoted, "We become what we think about all day long."

6 Equip with Positive Affirmations: You must always visualise with positive affirmations. Positive affirmations are like goal setting as they improve your attitude and the way you look at your life. They help you stay focused on your goals and manage your time. They enhance your longevity as you feel to live for a longer time with optimism. James Allen once remarked, "All that you accomplish or fail to accomplish with your life is the direct result of your thoughts." Whether you want to succeed or fail, it is in your hands, as your thoughts will lead to actions. When your thoughts are positive, your actions will also be positive. Replace "if" with "when," "hopefully" with "certainly" and "I hope" with "I expect." Don't think what you don't have, instead, think with what you have. Don't say, "have a great day!" but say, "make it a great day!" It all depends on what is inside your mind. Your thinking will create magical words that will inspire you and mesmerise others around you. Adopt the following tips to affirm yourself positively: appreciate yourself; look at the positive things within yourself; use sentences like 'I can do it' and use the letter like 'I' to affirm yourself; use present tense in your statements to achieve maximum outcome and be optimistic and lastly; look at the door that is opened rather than the one that is closed.

7 Discover your Biological Clock: Every human body is unique and when you discover your biological clock, you can achieve greatness. You can also call it 'moods'. Every human body is productive and creative at some point of time during the day. If you understand the time when you are highly productive, you

All human beings should have a dialogue within themselves throughout the waking hours, which is known as 'inner dialogue' or 'self-talk'.

can do important tasks and achieve optimum outcomes. It is the time where your body and mind connects quickly and creates an amazing chemistry to achieve the outcomes the way you want. For instance, if you identify the ideal time to read in a day, and read the book, you can absorb and assimilate the content quickly. You will be able to apply it effectively and achieve great success; hence, instead of reading at the wrong time for ten hours, and if you read one hour at a time when your body is highly productive, you can achieve the desired outcomes easily, quickly, and smartly. Similarly, if you want to lead a happy married life, you must create a right chemistry with your partner by adjusting and synchronising your biological clock accordingly. There are married couples who divorce due to lack of physical and emotional chemistry between them. Their bodies may be allergic to each other resulting in divorces. Understanding this clock and readjusting and setting their body clocks can create synergy and energy between the partners. It creates both physical and emotional chemistry between partners, thus minimising divorces.

8 Strengthen your Subconscious Mind: We operate 95 percent from our subconscious minds and 5 percent from our conscious minds. To strengthen your subconscious mind, give positive commands 30 minutes before you go to bed. A study shows that when we go to sleep, our conscious mind clicks

off and our subconscious mind clicks on, and begins to entertain itself during the rest of the sleep. What we did in our last 30 minutes will replay 15 to 17 times during the night; hence, you can understand the importance of giving commands and giving instructions the way you want to become in your life. If you want to win Nobel Prize, give daily commands before you go to bed that you are bagging Nobel Prize. When you do so regularly, you strengthen your subconscious mind and you start to think and change your behaviour accordingly and work hard to accomplish your goal. Additionally, when you learn a new skill, your conscious mind is very much alert. After acquiring the skill, it is shifted to your subconscious mind and you apply it automatically to achieve your ends. For instance, when you learn swimming, you will be alerted initially due to your conscious mind. Once you master the art of swimming, you transfer this art to your subconscious mind, and the conscious mind thinks of other things.

9 Improve your Concentration: Light the candle in a dark room, and observe the flame for a few seconds without any distraction to enhance your concentration. When you practise this for a few days, you

will be amazed to find yourself with an improved concentration.

10 Use your Inner Dialogue Effectively: All human beings should have a dialogue within themselves throughout the waking hours, which is known as 'inner dialogue' or 'self-talk'. This is the most powerful one when you use it effectively. However, it becomes a noise when you don't listen to others during the conversation. We can use it effectively throughout the day by practicing or thinking about good things. You can use your inner dialogue during your leisure time and travelling time on your goals to succeed greatly.

11 Write and Burn the Paper: It is often tough to forget unpleasant experiences and events; but there is a solution where you can get rid of them. When you get negative thoughts frequently or when you are angry with someone, write it on a piece of paper and burn it. When you write on paper, you vent out your feelings and relieve yourself from negative people and thoughts. When you burn it, you put an end to them.

12 Acquire Internal Locus of Control: Internal locus is all about taking responsibility about success, and external locus of control



is all about blaming the external forces and factors for failures. Internal locus is about taking action and responsibility for the consequences. It is about making things happen. When you look at leaders, they possess internal locus of control as they take responsibility for their actions. Remember, it is the bad tradesmen who blame their tools, and it is the good tradesmen who avail what they have and work within the constraints to achieve the desired outcomes.

13 Practise 'Winner and Mirror' Method: Whenever you are depressed, go inside the room and lock it. Stand in front of the mirror, smile, and shout 'I am the winner' for a few minutes. You get back to normalcy and stay motivated. When you see your smiling face in the mirror, you enjoy looking at your face. Secondly, since you locked the room, you can hear the echo of your voice loudly and it reinforces your mind with positive inputs. It is like having audio and video effects simultaneously where the audio is for hearing your own voice and the video is for seeing your face with a smile in front of the mirror.

14 Improve your Memory: People often complain that they forget certain things quickly. In fact, people rarely forget them. The only thing is that the insignificant information is the one that comes to the surface for some time, sidetracking the important information. However, such relegated information resurfaces subsequently to the top of the mind. People often mistake it for forgetfulness or decreased memory power. Here is an innovative technique to improve your memory: move your eyes sideways from left to right and vice versa as this activates both sides of your brain. We mostly use the left or right brain, not both sides of the brain. When you do this exercise, you only not improve your memory but also unlock your potential since you use both sides of your brain.

15 Hold your Thoughts for 21 Seconds: Whenever you get any negative thoughts, have control over them for a few seconds and try to replace them with positive ones and you will bounce back with a bang. Whenever people find themselves under depression, they must hold positive thoughts for 21 seconds and they will be amazed to find themselves staying motivated. They must hold thoughts about their past achievements or events for 21 seconds to bounce back to energetic mode. In this way, people can get out of their depression state and overcome from suicidal tendencies.

16 Practise for 21 Days: Habits will change your life for the better, and to form habits, you must work hard sincerely and consistently for 21 days. You may have to struggle for a few days to acquire the habits, but once you start working hard, you will be amazed to find yourself acquiring good habits. Similarly, if you want to get out of any bad habit, control yourself for a few days, and you will be astonished to find yourself free from that bad habit. For instance, you may want to hit the gym regularly at 4 in the morning. You must work hard to get up before the time for a few days. Once you start getting up regularly, from the 22nd day onwards, it becomes a habit and you hit the gym on time regularly. Similarly, you can also get away from bad habits by staying away for 21 days continuously.

17 Journal Regularly: When you journal, you manage your time as you stay clearly focused on your activities. It aligns and guides you in your destined direction. You learn to prioritise and get disciplined to take it forward what is important to you. It enhances your focus and inculcates perseverance. During days of information overload, it is essential to prepare a To-Do list to work on only what is essential. Remember, journal is different from diary. A diary is a place where you record events



People often complain that they forget certain things quickly. In fact, people rarely forget them. The only thing is that the insignificant information is the one that comes to the surface for some time, sidetracking the important information.

Taking feedback is one of the greatest habits of highly successful people in the world. It helps them know where they stand and track their status of success. It helps people address their concerns to bring out better behavioural changes.

while a journal is a place where you analyse and evaluate them. Additionally, journalising enhances self-awareness. For instance, Warren Buffett has an interesting routine to increase his self-awareness. He writes down his reasons for making an investment decision as well as its anticipated results. Once the decision is implemented and in play, several months or years later, he reads his initial thoughts about a decision and compares the actual results with what he expected. Explicitly, Warren Buffett assesses the outcomes of every decision he makes. Therefore, maintain a diary to jot down the lessons you have learned and journal to analyse and evaluate to take things forward for execution.



18 Take Feedback Constantly: Taking feedback is one of the greatest habits of highly successful people in the world. It helps them know where they stand and track their status of success. It helps people address their concerns to bring out better behavioural changes. It is a fact that changes in one's behaviour will bring out dramatic improvements in performance resulting to success. When you look at CEOs, they hire executive coaches to address their concerns to perform better. Mark Zuckerberg took lessons to heart when he realised that he needed to be a leader, and not just another tech guru if Facebook was going to be a great company. He hired an executive coach and worked on his weaknesses. He strived to identify and hone the skills essential to running a fast-growing company. He met with, and learned from successful leaders in his industry, and he matured as a leader. He makes learning a priority and takes feedbacks. What worked in a particular context will not work again, and this means that you cannot take success for granted; hence, taking feedback identifies the blind spots to become a better professional and a great achiever.

19 Be Persistent: When you observe great people like Albert Einstein, Thomas Alva Edison, and Colonel Sanders, to name a few, they are persistent by nature. They achieved the unachievable

not through their intelligence but with their imagination and persistence. Failures did not prevent them from achieving their goals. What made them stand out from others is their persistence. John C. Maxwell once remarked, "Water boils at 212 degrees, but at 211 degrees, it is still just hot water. One extra degree, an increase of less than one-half of one percent, can make the difference between a pot of languishing liquid and a bubbling caldron of power. One degree can create a full head of steam – enough power to move a train weighing tons. That one degree is usually momentum;" hence, don't give up with desperation when you are close to victory. Invest a little more effort to achieve your ultimate victory. And to acquire the habit of persistence, cultivate the habit of writing as it not only helps you improve your writing skills but also enhances your persistence. Remember, apart from attitude, it is your persistence that makes a huge difference. Persist until the end to be a great achiever in this world.

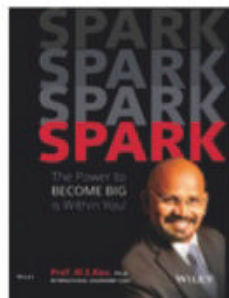
20 Be a Giver: There are three types of people in the world. The first type is the taker who often takes from others. The second type is the taker and giver. The third type is the giver who often gives to others. The first type always expects from others, and you will mostly find such people in this world. We can call them selfish people. The second type gives something to others only when they get something from others. They have "What's-in-it-for-me?" mindset and expect reciprocal response from others. This type is still better than the first one. The third type never expects anything from others. They often think about others and care others. They are large-hearted people. They are givers who live for others, not for themselves. They are altruists, and are rarely found in this world. They stand taller in the world. Everybody departs from this world with empty hands. Why should we not try to give away something to society before we depart? Be a giver, rather than a taker to leave a legacy. There are many people who are born and dead everyday and we don't remember them. But we do remember great leaders

like Mahatma Gandhi, Martin Luther King Jr., Mother Teresa, and Nelson Mandela because they were givers and they always lived for others, and made a difference to the world.

21 Volunteer to Make a Difference: Society is a collection of individuals. When all individuals think collectively to contribute to others, they can make a difference. Margaret Mead rightly remarked, “Never doubt that a small group of thoughtful, committed citizens can change the world; indeed, it is the only thing that ever has.” The people who are altruistic and think of helping and serving others make a mark for themselves beyond their lifetime. Most high achievers have this type of mindset and do philanthropic activities to help the society. They realise that nobody carries their wealth at the time of death; hence, they serve society as best as they could and make a difference in the lives of others. Nelson Mandela rightly remarked, “What counts in life is not the mere fact that we have lived. It is what difference we have made to the lives of others that will determine the significance of the life we lead.”

Treat these 21 tools as 21 bricks of your brand. Cement these bricks to build an everlasting leadership brand by practising regularly to fast track your career and provide meaning to your life. Malcolm Gladwell emphasises that the key to high levels of success in any field is practising a specific task for a total of about 10,000 hours. He uses the Beatles, Bill Gates, and himself – an award-winning journalist, best-selling author, and venerated public speaker as case examples for the 10,000-hours rule. Invest your precious time on your passionate areas for

The human mind is very powerful and you must know how to exploit and channel it effectively. By acquiring these habits and adopting this time-tested tools and techniques, you can unleash your hidden power to achieve greatness in your life.



Book cover of "SPARK the power to becoming big is within you" Authored by Professor M.S. Rao, Ph.D.

10,000 hours to become a successful professional and leader.

Help locate the fish. Show the opportunities as most people grope in darkness. Help people discover talents and ask them to build skills around their talents. Inspire them to unlock their potential. You all have a huge potential.

A study by Dr. John Hagelin shows that we are using at most 5% of the potential of the human mind. 100% human potential is the result of proper education. So imagine a world where people are using their full mental and emotional potential. To conclude, human mind is very powerful and you must know how to exploit and channel it effectively. By acquiring these habits and adopting this time-tested tools and techniques, you can unleash your hidden power to achieve greatness in your life. **ER**

About the Author



Professor M.S. Rao, Ph.D. (msrlctr@gmail.com) is an International Leadership Guru, C-Suite advisor, and a sought after keynote speaker globally with 38 years of experience. He is the Father of “Soft Leadership” and founder of MSR Leadership Consultants, India. He has authored over 45 books including the award-winning ‘21 Success Sutras for CEOs’, and most of his works can be read through his blog professormsraovision2030.blogspot.com. He is an advocate of global gender equality and is passionate about serving and making a difference in the lives of others. He coined the innovative teaching tool – Meka’s Method; leadership training tool – 11E Leadership Grid; and leadership learning tool – Soft Leadership Grid.

WHY WORKSTYLE REFORM JUST MIGHT WORK IN JAPAN

BY GINKA TOEGEL

Ikigai – in Japanese it means, loosely, “what makes life worth living.” If reforms by the Shinzō Abe government succeed, it may one day represent a new ethos towards work-life balance. Is this possible for a population more known for a work ethic that sometimes leads to extremes including *karōshi* (death by overwork)? There are reasons to believe.

Workstyle reforms integral to Abenomics

Throughout the “economic miracle” years, 1960s-1990s, loyalty to Japan became equated with loyalty to employers, hard work and sacrifice – measured primarily by long working hours. But by the 2000s, these behaviours were hindering the country’s economic strength, harming families and individuals – and yes, even killing. With the shrinking population putting a further drain on productivity, change became essential for renewed growth.

Prime Minister Abe’s economic reforms – “Abenomics” – include promoting work-life balance to improve productivity. The economy has been steadily rebuilding since 2012 and forecasts for 2018 are strong.¹ Alongside the economic push, public outcry over *karōshi* provided an emotional catalyst, particularly in the wake of one young woman’s suicide at the end of 2015 – the

misery of her overtime hours tracked through desperate tweets.²

The main tenets of Abe’s workstyle reforms include cutting down on overtime hours and instituting equal pay for equal work. They aim to increase work flexibility, such as with teleworking and helping improve mobility. Other key features include tapping into the female workforce, and improving sick leave, family leave and vacations (close to 50% of paid vacations are reportedly not taken).

The reform package was recently met with a major setback as public confidence has been weakened by questions of survey data methodologies. In response to these concerns, Abe has removed all measures related to the discretionary labour system, but he vows to ensure that the rest of the package will “absolutely pass” during the on-going session of Parliament.³



karōshi
means death by
overwork

Old habits die hard

A survey by the Japan Institute for Labour Policy and Training⁴ found that 60% of respondents see work-life balance as the ideal. But when asked about what their lives were really like, only 38% prioritised work-life balance. For now, it seems to pay off: the survey found that not taking holidays led to faster promotion.

Many will tell you that the long hours, skipped vacations and prioritising work over private life is the “Japanese way.”⁵ People say their workload prevents them from taking time off and worry it would “inconvenience” coworkers. Women say they’re afraid of being negatively judged if they take parental leave⁶—and men almost never do take it. In the real world, even if people *would* like it, the ideal situation of work-life balance is a hard sell.

A few well-placed friends of reform

Some changes happening in larger corporations are encouraging. Trading conglomerate Itochu Corporation’s HR policy aims to boost individuals’ capabilities for overall efficiency. Internal reforms also include increasing time with customers while reducing time spent in internal meetings by 50% between 2010 and 2016.⁷ Other high-profile companies heralded for supportive internal policies include IT developer SCSK Corp. and Toyota – the latter is named on Flexjobs’ 2018 list of top 100 companies worldwide.⁸

Multinationals implanted in Japan can also help change mindsets. Unilever Japan introduced WAA – work anywhere, anytime. They make a point of ensuring that the Board, C-suite and managers lead by example – important when many won’t leave before their bosses. Even more interesting, within a month of implementing the programme, 140 external companies attended sessions at Unilever to learn how WAA works.⁹

Approximately 14 million people or 30% of the fully-employed workforce (excluding primary industries), are employed by large companies or multinationals in Japan. Friends like these can help the Abe government turn the tide. Even when initial sentiments are sceptical or cynical, if enough of your friends and family work for companies with such policies, you might begin to see the point.

Extending this to smaller companies

Small and medium-sized companies face more challenges to picking up workstyle reform. With tighter margins, can they afford any short-term loss of productivity during transition? Prominent corporations can write about their initiatives in glossy annual reports, reaping kudos and gaining in reputation. SMEs haven’t got the incentive of this positive PR.

SMEs may be able to reach their goals faster by implementing reforms creatively. Saint-Works Corp., a shared service company within a mid-sized elder-care company, Saint-Care Holdings Group, has cut overtime hours in half by having employees wear purple capes marked with the time to leave work.¹⁰ Not only are employees adhering to the policy, they appreciate it. As one said, it’s not when you extend a meeting two or three hours that the great ideas come up.

Productivity and real economic value

The Abe reforms are backed by penalties for excessive hours and improved surveillance of unpaid overtime. There are carrots as well as sticks. For example, the Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange jointly honour “Health & Productivity Stocks” – Itochu and SCSK are among them.¹¹

But to ensure workstyle reforms are more than tokens, you must appeal to the business case. Research shows there is an inverse correlation between productivity and working hours.¹² Flexible work strategies improve attraction, retention and loyalty, and have a demonstrable impact on cost-savings and ROI.¹³

Itochu Corp. was the top general trading company in FY2015 in terms of Net Profits – against far larger competitors. They attribute their success to HR policies of maintaining a “small cadre of highly-capable people” and integrating workstyle efficiencies. Saint-Care too has seen profits rise.¹⁴



60% of respondents see work-life balance as the ideal. But when asked about what their lives were really like, only **38%** prioritised work-life balance.

Unilever Japan introduced WAA – work anywhere, anytime.

They make a point of ensuring that the Board, C-suite and managers lead by example – important when many won’t leave before their bosses.

If people integrate the idea that work-life balance improves productivity, evolution could happen *en masse*, through a new definition of the right way to show allegiance.


Harnessing a culture of commitment

In the West, we have long recognised the value of work-life balance. This doesn't mean we always do it. We typically leave the question of finding work-life balance up to individuals and families. It's something that gets negotiated over the dinner table between tired working couples more often than at boardroom tables. The classic exception is the Scandinavian countries, where work-life balance is a way of life, broadly viewed as better for society.

Although Japan came late to the concept, change is happening rapidly. If it hits a tipping point in attitudes, the country could actually move into a leadership position. Change could rest on the same traits that led people to overwork in the first place: the desire to be well-regarded and contribute to the whole. If people integrate the idea that work-life balance improves productivity, evolution could happen *en masse*, through a new definition of the right way to show allegiance. The "Japanese way" would no longer be logging endless hours. Instead, balanced workstyle could become the norm, not unlike the Scandinavian countries.

The other characteristic that can be harnessed for positive workstyle change goes back to *ikigai*.



In parallel to the drive towards overwork, the value of having true purpose has always existed in Japan. *Ikigai* is part of what gives Japan one of the longest life expectancies in the world – including making Okinawa a “blue zone”, one of six pockets in the world with an unusually high number of centenarians. This is not to suggest work itself should become the meaning of *ikigai*. Rather, more balanced workplace practices could bring more *ikigai* to the office, people could find more meaning in their work, contributing to the betterment of all. 

About the Author



Ginka Toegel is Professor of Organisational Behaviour and Leadership at IMD Business School. She specialised in providing one-to-one leadership coaching and team-building workshops to top management teams in both the public and private sector. Her major research focuses on leadership development, team dynamics, and coaching.

References

1. <https://www.nippon.com/en/currents/d00375/>
2. <http://www.scmp.com/news/asia/east-asia/article/2057914/japan-embarks-work-hour-reform-after-suicide-woman-who-did-105>
3. <https://asia.nikkei.com/Politics-Economy/Policy-Politics/Japan-drops-key-labor-reform-proposal-after-survey-furor>
4. <https://www.japantimes.co.jp/news/2015/08/25/national/favor-work-life-balance-inclined-use-paid-holidays-survey-shows/#.WoldHzBG3IV>
5. <https://www.japantimes.co.jp/opinion/2016/01/30/commentary/work-life-balance-japan-leans-one-direction/#.WogOIDBG0dU>
6. <https://www.japantimes.co.jp/news/2017/06/29/national/social-issues/women-japan-cite-judged-work-top-concern-taking-maternity-leave-survey-shows/#.WogA8DBG0dU>
7. <https://www.itochu.co.jp/en/files/ar2017E.pdf>
8. <https://www.flexjobs.com/blog/post/100-top-companies-with-remote-jobs-in-2018/>
9. <https://bccjacumen.com/you-gotta-have-waa/>
10. <http://www.scmp.com/news/asia/east-asia/article/2057914/japan-embarks-work-hour-reform-after-suicide-woman-who-did-105>
11. http://www.meti.go.jp/english/press/2017/0221_003.html
12. <http://www5.cao.go.jp/keizai3/2017/0721wp-keizai/2sy02017.pdf>
13. <https://www.shrm.org/hr-today/trends-and-forecasting/special-reports-and-expert-views/Documents/Leveraging-Workplace-Flexibility.pdf>
14. <https://www.saint-care.com/en/highlight/>





LOGILITY

PLANNING OPTIMIZED

DRIVING VISIBILITY IN A WORLD OF COMPLEXITY

An optimized
supply chain
doesn't just
happen.

It is planned.

